

Originally Processed With FOIA(s):
2021-0094-F

FOIA Number:
2021-0094-F

FOIA MARKER

**This is not a textual record. This is used as an
administrative marker by the George Bush Presidential
Library Staff.**

Record Group/Collection: Dan Quayle Vice Presidential Records
Collection/Office of Origin: Deputy Chief of Staff's Office
Series: Porter, Richard W., Files
Subseries: Subject Files

OA/ID Number: 21806
Folder ID Number: 21806-014

Folder Title:
Welfare Data Backup [3]

Stack:	Row:	Section:	Shelf:	Position:
G	34	6	6	6

NEW CHOICES FOR RESIDENTS



OPPORTUNITY and EMPOWERMENT ACT

- Perestroika for Troubled Public Housing
- RESTORE for Troubled Multifamily Housing
 - Homeownership Vouchers
- Moving to Opportunity for Fair Housing
 - Safe Havens for the Homeless

America must inaugurate a new era of boundless and equal economic opportunity for all people—an era of new incentives for risk taking and entrepreneurial growth based on the classic American formula for escaping poverty. The President's Opportunity and Empowerment agenda builds on the principles of competition and marketplace incentives which strengthen the link between effort and reward. Homeownership and the development of assets are essential components of this agenda.

In 1862 President Lincoln opened up millions of acres of government land through the Homestead Act, creating one of the most successful antipoverty measures in American history. In the same spirit of homesteading, President Bush wants to give public housing residents the right to own their own homes. By introducing private property ownership and tenant empowerment into the enclaves of urban welfarism, we can begin to create prosperity and flood the inner cities with capital and new job opportunities so we can wage and win a new war on poverty.

Jack Kemp
Secretary of Housing and
Urban Development

Opportunity and Empowerment Act

Table of Contents

• Introduction	1
• Perestroika for Troubled Public Housing	3
Choice in Management	6
Choice in Ownership	7
Take the Boards Off	8
• RESTORE for Troubled Multifamily Housing	10
RESTORE Rental Assistance	11
RESTORE Loans	12
Property Disposition Assistance	12
• Homeownership Vouchers	14
• Moving to Opportunity for Fair Housing	17
• Safe Havens for the Homeless	19
• Summary Table, OEA Programs	21

Introduction

Choice is the principle that underlies the Administration's 1992 legislative reforms for the Department of Housing and Urban Development. Choice is, in essence, a dimension of freedom. A person who makes sound choices can assert leadership, assume personal responsibility for decisions, and contribute to the family, Nation and economy. Only choice can provide genuine dignity and self esteem.

Yet the public housing and welfare systems have not always been based on choice. Their centralized command and control mechanisms sometimes provide inferior service to their constituents and favor day-to-day survival assistance rather than opportunities for self sufficiency and independence. On occasion, unscrupulous third parties profit from assistance designated for the poor. These monopolistic controls weaken economic progress and thwart individual enterprise.

The absence of choice traps many low-income Americans in indecent and unsafe housing with little hope of changing the status quo. Some of the worst housing is government-run and -assisted housing. Despite a half century of public investment measured in the hundreds of billions of dollars, the housing communities that needy people should be able to look to for security and peace of mind have sometimes become dark places of despair and hopelessness.

Reform, restructuring, radical change: the Administration's new housing program, the Opportunity and Empowerment Act of 1992, calls for restructuring the housing system for low-income Americans in a number of fundamental ways:

- Where troubled public housing suffers from high vacancy rates, huge overhead, and large modernization backlogs, the Administration's Perestroika initiative will empower residents with the opportunity to hire and fire their managers and the right to transfer their development to a new nonprofit owner.

- Where public housing is substantially vacant and distressed, Perestroika will unleash the power of community-based housing groups and resident entities to help replace vacant housing with decent shelter for the poor and the homeless.
- Where millions of dollars in housing funds have bailed out failed developers—often more than once—with little benefit to residents, the RESTORE program will foreclose on ineffective owners and assist owners who, in good faith, want to improve housing conditions by increasing resident equity and advancing resident management.
- Where housing assistance for the poor has been restricted to month-to-month rental apartments, the Homeownership Voucher option will enable residents to realize the American dream by turning their vouchers and certificates into equity for homeownership.
- Where low-income families are living in areas of concentrated poverty far from jobs and government services, the Moving to Opportunity reforms will give them a chance to move to neighborhoods with better housing, education, and jobs.
- Where homeless Americans afflicted with mental illness are exposed to street violence and hazardous conditions, the combination of Safe Havens with Shelter Plus Care will provide a comprehensive homeless strategy to attack the problem by tying supportive services to decent housing.

These reforms extend the principles of the Administration's 1990 HOPE program in new directions, deploying the tools of empowerment, choice, competition, and private property throughout many HUD programs. The Opportunity and Empowerment Act of 1992 offers reforms that can turn troubling housing problems into opportunities to empower and uplift the poor.

Perestroika for Troubled Public Housing

In Fiscal Year 1993, \$100 million is requested for modernization set-asides for Choice in Management and Choice in Ownership, and \$192 million is requested for Take the Boards Off. Up to 5 percent of the funds in each program can be used for technical assistance. Under the Take the Boards Off component, 2,500 vouchers will be authorized as replacement housing.

Purpose

Perestroika is a radical restructuring of a system of public housing that has permitted 100,000 units of housing to lie vacant in a time of increasing shelter needs and has allowed the quality of housing to deteriorate while failing to utilize large amounts of appropriated modernization funds.

The principle underlying Perestroika is *choice*. Because public housing has too often failed its residents, Perestroika seeks to give the residents of housing run by troubled public housing agencies the right to choose either alternative management or ownership of the property.

Offering residents a greater range of options for the control, modernization, and operation of these communities will increase management incentives, improve efficiency, and promote resident empowerment.

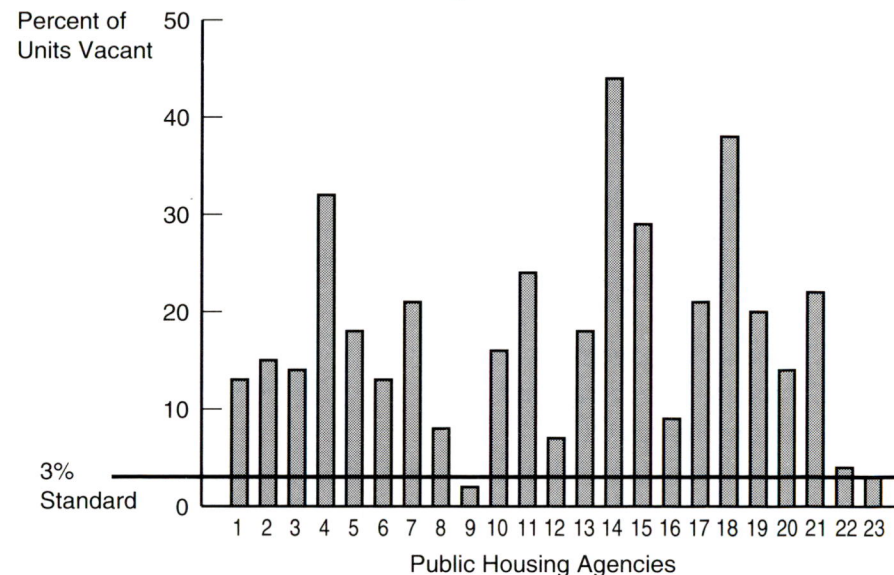
Highlights

Perestroika is limited to the most distressed public housing agencies (PHAs)—those that have been on the “troubled” list for more than 3 years and own and operate more than 250 units of public housing—where market-based competition is most critically needed.

Troubled Public Housing Agencies

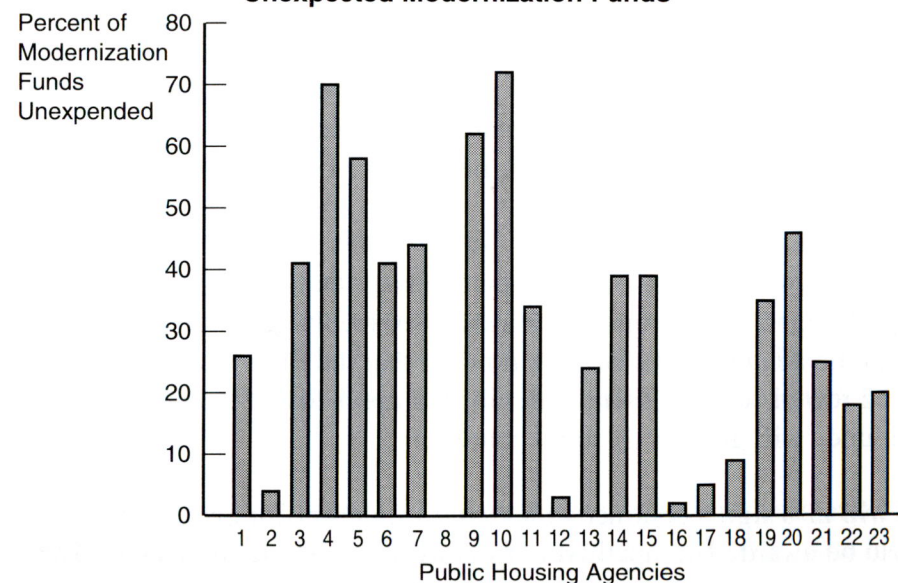
1. Boston
2. New Haven
3. Camden, NJ
4. Newark
5. Philadelphia
6. Chester, PA
7. Washington, DC
8. Atlanta
9. Puerto Rico
10. Virgin Islands
11. Jacksonville
12. Birmingham, AL
13. Chicago
14. Detroit
15. Cuyahoga (Cleveland)
16. Indianapolis
17. Lucas Co. (Toledo)
18. East St. Louis, IL
19. Springfield, IL
20. New Orleans
21. Kansas City, MO
22. San Francisco
23. City of Los Angeles

Troubled Public Housing Vacancy Rates*



* 1989-1991 average

Troubled Public Housing Unexpected Modernization Funds*



* Funds awarded between 1986-1988; program requires PHAs to expend modernization funds within 3 years.

There are currently 23 large, troubled PHAs, which represent less than 1 percent of the nationwide total of 3,115 PHAs but include 20 percent of *all* public housing units and 34 percent of the units in large PHAs.

Almost 14 percent of the units in these troubled PHAs stand vacant, while more than 40 percent of the modernization funds the PHAs received for the period 1986-88 are still unspent.

Perestroika has three components:

- Choice in Management,
- Choice in Ownership, and
- Take the Boards Off.

Choice in Management

Choice in Management guarantees public housing residents the “right to choose” the management of their development from among resident management corporations (RMCs), nonprofit organizations, and other public and private groups.

An applicant for alternative management must be the duly elected resident council of the public housing that is proposed for transfer. Entire developments or buildings within developments can be transferred. Transfer of management requires a positive vote of at least 51 percent of the affected residents.

HUD will sign a contract with the new manager that establishes the manager’s rights and obligations in return for receiving operating subsidies and the annual modernization funding that the PHA would have received for this development under the Comprehensive Grant program. These funds will go directly to the manager.

HUD will also sign a contract with the new manager for modernization funds to be awarded competitively from the set-aside, if applicable. The

income targeting, eligibility, and rent requirements of the current public housing system will be retained.

New managers will be eligible to apply for special public housing funding programs, such as Public Housing Drug Elimination grants.

Residents will retain the right to “hire or fire” the management company, based on its performance. They will also retain their rights to home-ownership under the HOPE 1 program.

Choice in Ownership

Choice in Ownership guarantees public housing residents the “right to transfer” ownership of their development to other public bodies, RMCs, and nonprofit groups.

An applicant for alternative ownership must be the duly elected resident council of the public housing that is proposed for transfer. Entire developments or buildings within developments can be transferred. Transfer of ownership requires a positive vote of at least 67 percent of the affected residents.

Residents may select as the owner any nonprofit organization, RMC, or public agency that can demonstrate the capacity to own and operate rental housing.

HUD will sign a contract with the new owner that establishes the owner’s rights and obligations in return for receiving the operating subsidies and the annual modernization funding that the PHA would have received for the development under the Comprehensive Grant program. The PHA’s regular operating subsidy and comprehensive grant will be adjusted accordingly.

HUD will also sign a contract with the new owner for modernization funds to be awarded competitively from the set-aside, if applicable. The income

targeting, eligibility, and rent requirements of the current public housing system will be retained.

New owners will be eligible to apply for special public housing funding programs, such as Public Housing Drug Elimination grants.

Residents under alternative management will retain their rights to homeownership under the HOPE 1 program. HUD may approve a Family Self-Sufficiency program for an owner with the demonstrated capacity to administer one.

Take the Boards Off

Take the Boards Off guarantees RMCs, nonprofit organizations, and State and local governments the “right to take over” substantially vacant public housing developments.

The two categories of eligible purchasers are:

- Priority purchasers (private nonprofits, including RMCs and resident councils, representing former residents of the development or current residents of any public housing) who will return the buildings to use as viable assisted housing; and
- Nonpriority purchasers (units of State or local government, which may apply to purchase on behalf of a nonprofit organization that will actually own the building or to purchase it for themselves), which will provide affordable rental or homeownership opportunities for lower income families and individuals, including the homeless.

The modernization set-aside funds will be used to return the buildings to a livable condition. These funds, which will be awarded through a national competition, can be used for all of the activities currently eligible under the Comprehensive Grant program, subject to the same cost caps.

If the building is purchased by an entity on behalf of public housing residents, the purchaser will be required to follow current rent and income rules and will receive ongoing operating and modernization subsidies, as in “Choice in Ownership.”

If the building is purchased by a nonpriority purchaser to remain as rental housing, it must serve families with incomes at or below 60 percent of the area’s median income, as well as existing residents. Special low-income targeting rules also apply to buildings that will be converted to homeownership. Nonpriority purchasers must provide \$1 of matching funds for every \$3 of Take the Boards Off funding.

If the building is bought by a nonpriority purchaser and will be used as affordable housing rather than assisted housing, the PHA will receive vouchers equivalent to the total number of units sold.

No displacement will be permitted, and protection will be given to existing residents from the date the application is submitted. Transitional subsidies will be provided to nonpriority purchasers over a 3-year period, after which time the PHA must provide vouchers to these residents to ensure continued affordability.

RESTORE for Troubled Multifamily Housing

HUD's FY 1993 budget requests a funding level of \$312 million for RESTORE rental assistance and RESTORE loans.

Purpose

RESTORE is an Administration initiative designed to improve the housing conditions, financial health, and affordability of FHA-insured assisted housing, especially an estimated 1,800 distressed multifamily properties that have serious physical or financial problems.

The RESTORE program has four principal objectives:

- Reducing unsafe and unhealthy project conditions for as many households as possible and improving incentives for owners to provide good housing;
- Maximizing resident involvement in project management and allowing residents to benefit directly from potential profits when properties are sold;
- Expanding housing choices for low-income families in assisted housing, including opportunities for homeownership and resident management; and
- Reducing unnecessary claims to the FHA insurance fund and the resultant losses.

For the first time, HUD will discriminate systematically between "worthy" and "unworthy" owners and will redirect its assistance away from properties and toward low-income residents. Properties will no longer be automatically propped up—not having to compete for residents—whether or not they are well managed and well maintained.

Residents can expect to see more benefit from, and control over, the money the Federal Government invests in low-income housing. Recipients of new rental assistance will not be tied down by permanent, project-based assistance regardless of their dissatisfaction with the quality of the housing. If management is not providing decent housing, residents will be able to take their subsidies with them to other affordable housing in the area.

Highlights

The RESTORE program will provide financial assistance necessary to address the problems of distressed federally assisted, HUD-held, or HUD-owned properties. This assistance will include rental assistance to stabilize projects and empower residents, as well as loans to meet immediate repair needs, address shortfalls in operating funds or replacement reserves, and make long-term capital improvements.

RESTORE has three components:

- RESTORE Rental assistance,
- RESTORE Loans, and
- Property Disposition Assistance.

RESTORE loans and rental assistance will be awarded competitively to HUD-subsidized and -insured projects. Recipients of *any* RESTORE funds must develop and implement management plans that give residents maximum opportunity to become more involved in property management, including formation of resident management corporations.

RESTORE Rental Assistance

RESTORE Rental Assistance will be provided in the form of vouchers. The centerpiece of the program is a quasi-resident-based form of assistance, the "project stabilization voucher."

Such vouchers, administered by the local PHA, can be provided to current residents who would otherwise have very high rent burdens or to families on the PHA waiting list who agree to move into the property's vacant units for a minimum of 2 years.

After 2 years, the voucher becomes completely portable, thus preserving the resident's freedom of choice and providing an incentive for the property manager to improve and sustain the quality of the housing.

Units already under Section 8 loan management will continue to receive these project-based subsidies. However, because RESTORE stresses improved management, the contracts for these units will not be automatically renewable; renewal will depend on the quality of manager/owner performance in providing housing that meets all applicable housing quality standards.

RESTORE Loans

Restore Loans address the physical condition of FHA-insured and -assisted multifamily properties that are physically or financially troubled. Properties may receive amortizing low-interest, capital improvement loans if the residents can afford the additional debt service and the property can be supported without additional project-based assistance. Otherwise, the funds will be in the form of a low-interest loan repayable at the time of sale. Owners will be required to share a portion of the property's appreciation with the residents.

When the property is sold or the mortgage terminated, the net proceeds after payment of all debt and related expenses will be divided between the owner and the families living in the property at that time.

Property Disposition Assistance

Property Disposition Assistance provides flexibility in disposing of subsidized properties on the basis of local housing market conditions.

This flexibility will allow the use of resident-based subsidies instead of 15-year, project-based subsidies. In addition, the Department is requesting changes that will make it easier for low-income residents to buy the properties as they are sold in the property disposition process.

In tight markets, RESTORE would give HUD authority to provide project stabilization vouchers in conjunction with property disposition and would, where necessary, provide capital improvement loans with the condition that low- and moderate-income affordability be continued.

Homeownership Vouchers

The additional 82,699 vouchers proposed in HUD's FY-1993 budget (a 74-percent increase over the number appropriated by Congress for 1992), may be available for homeownership.

Purpose

Expansion of homeownership and affordable housing opportunities is a priority of the Bush Administration. The Homeownership Voucher (HVO) furthers this objective by allowing voucher recipients who would be first-time homebuyers to become homeowners.

At present, housing vouchers and Section 8 certificates can be used to support homeownership in cooperatives. The HVO initiative will extend their applicability to all other forms of homeownership.

This change in the voucher/certificate program will make homeownership an option for the 1.2 million households that hold vouchers and certificates. HVOs might be especially attractive to large families whose needs may not be met by the rental stock, as well as to families in rural communities where adequate rental housing is not always available.

Homeownership Vouchers increase a family's ability to pay for housing as well as the stability of its income. This increase in total income and stability, in addition to the program's emphasis on self-sufficiency, make voucher recipients attractive candidates for mortgage loans.

HVOs will allow low-income families to benefit from the appreciation of their homes which, under current law, accrues to the landlord.

Homeownership Vouchers will greatly expand the housing choices available to low-income families. An estimated 11 percent of the Nation's owner-occupied housing stock is affordable with voucher assistance,

assuming 30 percent of income is spent for PITI and utilities. Approximately 10 percent of center-city housing stock, 8 percent of suburban stock and 16 percent of non-metro stock will be affordable. The suburbs account for such a large portion of the total amount of standard-quality, owner-occupied housing that 42 percent of the total affordable stock is in the suburbs. More than half of the voucher-affordable homes are single-family, detached housing.

Highlights

HVO will allow families to use the voucher subsidy for homeownership costs, including mortgage repayment, utilities, and maintenance and repair. The homeownership option is available to certificate families as well.

Eligibility criteria for voucher assistance will be the same as those under current law. The homeownership option can be exercised by either new or existing voucher recipients who will be first-time homebuyers.

All participating families (except those that are employed and have attained a certain income level) will be required to enroll in a Family Self-Sufficiency program modeled in virtually all respects after the current Family Self-Sufficiency (FSS) voucher program. Participants will also be required to participate in a homeownership counseling program.

Families receiving Homeownership Vouchers will be required to reach certain self-sufficiency milestones—including earning income with at least 6 months' continuous employment—*before* qualifying for the HVO. As in the current FSS program, families will contract with the PHA, setting forth their milestones to self-sufficiency for the next 5 years. All Family Self-Sufficiency program participants will be eligible for an escrow account and will be able to use up to 50 percent of the account for a downpayment.

The voucher subsidy will be calculated the same way, whether it is used to

help pay rental costs or homeownership costs. Likewise, the income of homeowners and that of renters will be calculated by the same method, taking into account only their income and not the equity value of the house.

HVO families will be required to obtain their own mortgage financing. A portion of the voucher payment will be allocated to the lender to cover the monthly mortgage payment. Voucher recipients exercising the homeownership option will be eligible for FHA-insured financing under the rules of the Section 203(b) program.

The HVO can be applied to homes sold under the FHA Property Disposition program or other programs used for the disposal of property held or owned by the Federal Government. In addition, up to 20 percent of the downpayment can come from State, local, or nonprofit programs for downpayment assistance.

Upon sale of the home, the voucher recipient will generally be able to retain most of the increase in owner equity. However, there is a provision for recapture of some of the profits that a homeowner may receive upon resale, to reflect the fact that the homeowner was building equity through use of a subsidy.

Moving to Opportunity for Fair Housing

Moving to Opportunity will authorize a set-aside of 1,500 vouchers and \$1.5 million in housing counseling funds for a demonstration designed to help low-income families move away from areas with high concentrations of poverty.

Purpose

Moving to Opportunity expands the Administration's empowerment strategy for fighting poverty and promoting fair housing. Like the voucher and certificate programs that are at the heart of the Administration's assisted housing program, Moving to Opportunity will provide choices among housing units and neighborhoods, and assistance will be portable across jurisdictional lines.

A study of the 15-year Gautreaux Demonstration in Chicago suggests that when very-low-income families move to areas without high concentrations of poverty, they become more economically independent through enhanced employment and their children perform better in school and have broader opportunities for post-secondary education.

Research findings on the demonstration appear to show for the first time that living outside an area of poverty, *in and of itself*, has positive effects for high-risk families.

This improvement was effected with little counseling after the move and with *no* employment or educational counseling.

Highlights

As in the Gautreaux demonstration, nonprofit organizations operating on a metropolitan-wide basis in large urban areas will provide housing search

assistance and counseling to families that expressed an interest in moving out of areas with high concentrations of poverty and into more prosperous areas.

The nonprofit group will examine the credit histories and housekeeping skills of families applying for this program, provide transportation and other search assistance, and help persuade a landlord in a higher income area to rent to the family under the voucher program. The PHA for the jurisdiction in which the family selected the unit will take over administration of the housing assistance contract with the owner, and the nonprofit will continue to provide adjustment assistance to the family.

The voucher “start-up” administrative fee will be split between the nonprofit and the PHA, and the PHA will earn the ongoing fee. HUD will provide the nonprofit with an additional amount per family—to be matched by local funds—from a set-aside of the appropriation for housing counseling.

Participants in Moving to Opportunity will be identified from current voucher/certificate waiting lists on the basis of residence in a census tract with a high poverty concentration. Participation in the program is voluntary.

While Moving to Opportunity might be combined with employment and training services under certain circumstances, the basic focus of the program is on housing.

Safe Havens for the Homeless

The Administration is proposing an appropriation of \$50 million in FY-1993 to initiate a new program to provide very-low-cost housing for mentally ill homeless persons who are unwilling or unable to participate in a transitional housing program.

Purpose

A large portion of the homeless are in need of service-supported housing. The Administration requests \$266 million for Shelter Plus Care in FY-1993, a more than 140-percent increase over the amount appropriated by Congress in 1992.

Yet many homeless who are mentally ill may be unwilling or unable to make a commitment to existing treatment programs, including programs such as Shelter Plus Care. Mental health experts report that homeless persons with severe mental illness often refuse to acknowledge that they are ill and are especially suspicious of the mental health system. Because lack of a stable living environment compounds the problem, they move frequently among emergency shelters, jails, hospitals, and the street.

There is a clear gap in the joint efforts of Congress and the Administration to end homelessness, which Safe Havens is intended to correct. On one hand, emergency programs provide short-duration shelter, often in barracks-style environments, and are not designed to provide the long-term services needed by certain segments of the homeless population. On the other hand, programs such as Transitional Housing and Shelter Plus Care that provide comprehensive, long-term supportive services designed to help the homeless achieve greater self-sufficiency do not accept those who cannot commit to the goals of the program.

Safe Havens fills this gap by providing a stable living environment as an alternative to the hopelessness and high cost of the current pattern of transience. Once stabilized, the homeless mentally ill can be offered an

opportunity to participate in the more service-intensive environment provided by programs such as Shelter Plus Care.

Highlights

A Safe Haven will be the size of a small homeless shelter, serving no more than 25 persons. It will provide safe and sanitary private or semiprivate lodging for homeless persons who, because of severe mental illness, are unwilling or unable to make the commitment needed for successful treatment.

Unlike an emergency shelter, residents will not be required to leave after a given time period, nor will they be required to vacate the premises during the day.

The program will provide financial assistance on a competitive basis to States, local governments, and nonprofit organizations. Eligible program activities will include operating costs and leasing of facilities. Buildings for Safe Havens may also be obtained through donations.

Regulations establishing a Federal cost cap per Safe Haven facility will be issued by HUD, and the amount will be matched with an equal amount of State or local funds. Recipients of the funding will be required to pay for one full-time mental health counselor for each Safe Haven.

OEA Programs (\$ in millions)

FEDERAL FUNDING RESOURCES:	Requested		2-Year Total
	FY 93	FY 94	
Perestroika for Troubled Public Housing ¹			
Choice in Management/Ownership	100 ²	100 ²	200
Take the Boards Off	192	192	384
Subtotal, Perestroika	292	292	584
RESTORE for Troubled Multifamily Housing			
RESTORE Rental Assistance	312	312	624
RESTORE Loans	100	100	200
Subtotal RESTORE	412	412	824
Homeownership Vouchers	**	**	**
Moving to Opportunity for Fair Housing	40 ³	40 ³	80
Safe Havens for the Homeless	50	50	100
Total Federal Funding Resources	794	794	1,588

¹These amounts are proposed as set-asides from the public housing modernization program.

²Represents direct loans; this amount of loan activity requires \$50 million in budget authority to cover credit subsidy costs.

³Includes \$1.5 million of Housing Counseling assistance.

**No additional Section 8 costs for 82,699 incremental vouchers requested in FY 1993. Approximately 1.2 million existing certificates and vouchers are eligible for this program.

ELIMINATE GENERAL REVENUE SHARING

	1986	1987	1988	1986-88	1989	1990
CURRENT SERVICES						
Budget Authority.....	\$4,567	\$4,567	\$4,567	\$13,701	\$4,567	\$4,567
Outlays.....	4,567	4,567	4,567	13,701	4,567	4,567
SAVINGS						
Budget Authority.....	-4,567	-4,567	-4,567	-13,701	-4,567	-4,567
Outlays.....	-3,405	-4,567	-4,567	-12,539	-4,567	-4,567
1986 BUDGET LEVEL						
Budget Authority.....	—	—	—	—	—	—
Outlays.....	1,162	—	—	1,162	—	—
NOTE: Dollars in millions.						

PROPOSAL AND RATIONALE

Revenue sharing — born in a period of projected Federal surpluses in the early 1970's — is no longer justifiable in a period of chronic Federal deficits.

- General Revenue Sharing (GRS) is spread very thinly — everyone gets it.
 - Current local government recipients number 39,281.
- GRS funds only a small part of total local expenditures (less than 2.5 percent on average in CY83).
- Over time, GRS has become a substantially smaller proportion of local tax receipts for local government.
 - The GRS share of total local tax revenues dropped from 13.7 percent in CY73 to 6.4 percent in CY83.

- Most recent (1983) data indicate an aggregate local surplus equal to 2.6 percent of local revenues, while the latest Federal deficit (FY84) amounted to 32.9 percent of total federal revenues.
- While differences exist for specific localities, under current tax and spending policies for the Federal and local governments as a whole, the Federal government is unlikely to be better off than local governments any time soon.

GRS doesn't serve a targeted national purpose.

- Its redistributive effects are random — not the result of justified program design.
 - Alaska, with the highest per capita income, receives the highest per capita allocation for its communities, more than twice the average per capita allocation.
 - Virtually every community in Alaska (the highest state income per capita) receives a higher per capita GRS grant than communities in Mississippi, the poorest state based on per capita income.
 - The ten wealthiest states received 25 percent of GRS funding in 1983, while the ten poorest states received less than 12 percent.
 - These anomalies result from the importance of the population variable and the inability of the tax effort variable to distinguish between local taxes that are borne by local citizens and local taxes that are borne by others (e.g. energy and tourism).
- GRS does not encourage localities to shift or increase spending on national priorities.
 - In an austere federal budget, national priorities must be met first. Given severely constrained Federal resources, Federalism and national priority needs can best be met through block grants, which provide flexible federal funding in areas of national priority (education, job training, health, community development).
 - Such a shift towards a more efficient Federalism has already begun.

1. GRS has accounted for a declining share of "broad based" flexible Federal grant assistance to State and local governments.
 2. From 1976 to 1980 GRS funding fell from 46.9 percent to 36.1 percent of total broad based Federal grants.
 3. Under the Reagan Federalism initiatives, this decline was even more pronounced; by 1984, GRS funding accounted for only 23.1 percent of all broad based federal support for state and local governments.
- GRS is a very costly and inefficient means of providing assistance to specific fiscally distressed localities.
 - To fund the poorest 3,300 localities — those with per capita incomes less than 60 percent of the U.S. average — the Treasury provides payments to another 36,000 localities, which are not at all comparably needy.
 - Moreover, these poor and highly dependent localities (their GRS payments averaged almost 26 percent of their local tax revenues) received only about 2 percent of total GRS funding in 1984.
 - Formula changes cannot overcome these deficiencies.
 - Formulas cannot adjust for lack of targeted national objectives.
 - Past efforts to revise the formula have met insurmountable political opposition. Despite significant changes in underlying conditions since 1972, the GRS formula has remained the same.

TERMINATE UDAG

	1986	1987	1988	1986-88	1989	1990
CURRENT SERVICES						
Budget Authority.....	\$ 440	\$ 460	\$ 481	\$ 1,381	\$ 500	\$ 518
Outlays.....	544	553	546	1,643	498	471
SAVINGS						
Budget Authority.....	-440	-460	-481	-1,381	-500	-518
Outlays.....	-22	-111	-226	-359	-346	-471
1986 BUDGET LEVEL						
Budget Authority.....	—	—	—	—	—	—
Outlays.....	522	442	320	1,284	152	—
NOTE: Dollars in millions.						

PROPOSAL

The decision to terminate the Urban Development Action Grant (UDAG) program is part of an across-the-board, government-wide effort to eliminate all local economic development subsidies including the Economic Development Administration (EDA), the Farmers Home Administration's (FmHA) rural development programs, the Appalachian Regional Commission (ARC), the Tennessee Valley Authority's (TVA) development programs, and HUD's Community Development Section 108 loan guarantees. Total 3-year outlay savings from this initiative reach almost \$2 billion.

RATIONALE

UDAG and other economic development subsidy programs do not add to national investment or job creation. Federal economic development subsidies politically reshuffle the national economic pie — not expand it. UDAG attempts to draw investment to urban areas, while EDA and other rural development programs attempt to draw investment to rural areas.

- These Federal subsidies provide war chests with which local political units compete with one another for plant and job location.

- UDAG subsidies escalate the competition between competing local jurisdictions. New York City and Jersey City, New Jersey, continue the spat that began with a \$40 million UDAG to Jersey City—that New York argued helped Jersey City steal jobs. New York UDAGs for commercial projects allow firms to locate in the city rather than lease cheaper real estate in also-distressed Jersey City.

All of the economic development subsidies get wired together in local development packages, using funds from one subsidized program to meet the criteria set for another program:

- UDAGs, for example, can be used by local jurisdictions to double the capital spending limits on small issue industrial development bonds.
- The UDAG program's aggregate leveraging ratios are misrepresented because much of the private capital invested in the projects is subsidized through some other governmental program. For example, the developer's commitment to pay back a subsidized loan from another Federal or State program is counted as "private" investment.
- Technical assistance contracts, paid for with CDBG funds, exacerbate the Federal participation in the local competition by training some, but not all, cities on how to package and obtain UDAGs.
- Even within a city, UDAG may provide the funds to support jobs in new subsidized commercial facilities, but at the expense of existing jobs in established, unsubsidized businesses.

UDAGs reflect a heavy grantsmanship component and questionable uses of Federal dollars.

- Wilmington, Delaware, has received \$555 in UDAG grants per capita.
- Twenty large cities have received 44 percent of all UDAG dollars and 34 percent of all projects. Though they represent 38 percent of the eligible large city population, these cities are not necessarily the nation's most distressed. Big winners Los Angeles, Minneapolis, and St. Paul, for example, are in the bottom eighth of all UDAG-eligible large cities under the UDAG distress ranking for unemployment, job lag, and per capita income.
- Only 37 percent of the small cities UDAGs have gone to the most distressed small cities; relatively better off small cities have received the lion's share of UDAG subsidies.

- UDAG has helped build 262 hotels nationwide and provided subsidies for large corporations like the Hyatt Corporation, Sherwin-Williams, and General Motors.
- UDAG builds luxury and middle class housing. Only 39 percent of all UDAG subsidized housing units will be occupied by low- and moderate-income persons.

UDAG is touted as a program that creates jobs and generates new investment in distressed urban areas by using public money to leverage private money. In reality, it is an expensive taxpayer supported shell game which lures jobs and investment from one location to another, more politically-advantaged, competing locality.

HOOVER INSTITUTION
Stanford, CA 94305-6010

Telecopier No. (415) 723-1687

TELECOPIER COVER SHEET

Please deliver the following pages TO:

Name: Mr. Richard Porter

Company: _____

Phone: (202) 456-6216

FROM:

Name: John Cogan

Phone: (415) 723-2585

DATE: May 8, 1992

TIME: 11:25 a.m.

TOTAL NUMBER OF PAGES (INCLUDING COVER SHEET): 2

COMMENTS: _____

If there are any questions regarding this transmission, please
call Nancy Ashton at (415) 725-4049.

YEAR	TOTAL LOW INCOME BENEFITS	CASH ASSISTANCE
1991	136,050	34,888
1990	122,454	31,046
1989	114,854	30,614
1988	109,920	29,969
1987	104,244	28,140
1986	102,228	27,738
1985	113,851	26,573
1984	96,245	25,908
1983	95,903	25,467
1982	91,802	24,909
1981	102,921	26,171
1980	100,191	25,577
1979	96,383	22,070
1978	78,408	24,780
1977	88,779	24,836
1976	86,768	25,115
1975	75,685	22,408
1974	65,582	19,423
1973	62,287	16,640
1972	65,049	19,420
1971	50,602	17,219
1970	40,375	13,971
1969	36,687	12,996
1968	34,359	12,051
1967	28,769	10,847
1966	24,163	11,301
1965	17,588	11,891
1964	15,890	11,925
1963	14,982	11,461
1962	13,945	10,579

NOTE: LOW INCOME BENEFITS INCLUDE FUNCTIONS

504, 506, 604, 605, 609, AND MEDICAID.

CASH ASSISTANCE EQUALS FUNCTION 609 PLUS

GRANTS TO PUERTO RICO UNDER FOOD STAMP PROGRAM

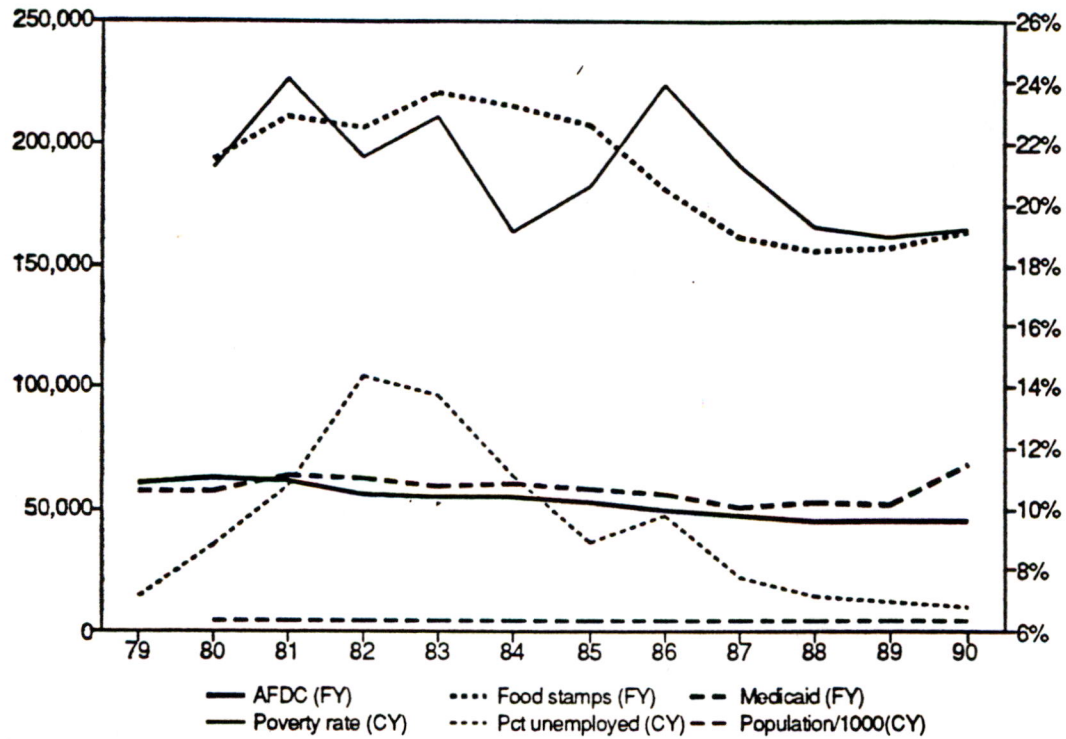
TOTALS IN 1989 DOLLARS

from 123

cy 5/3/2011 - 2012

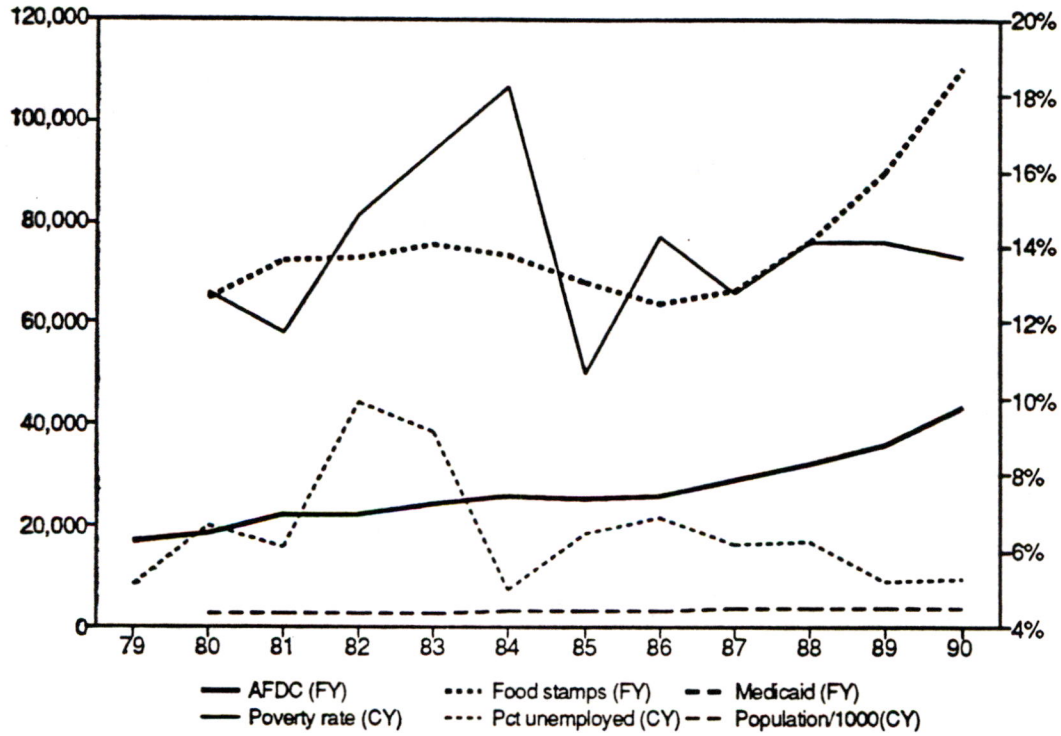
Dr. LC

Alabama



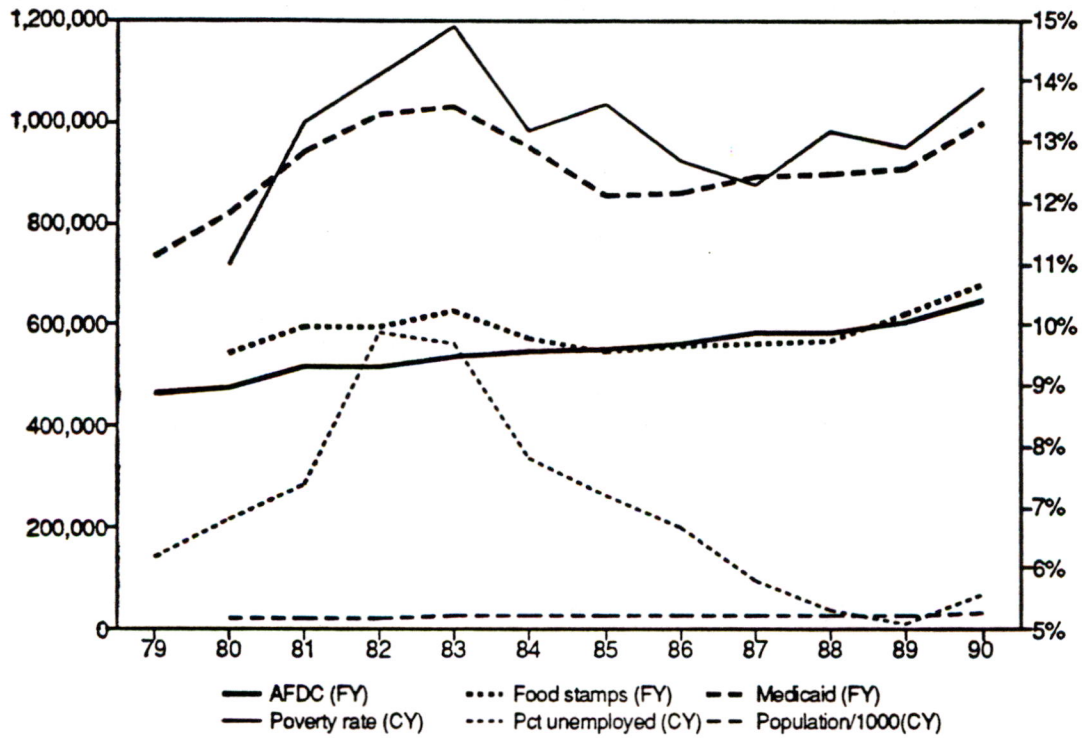
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Arizona



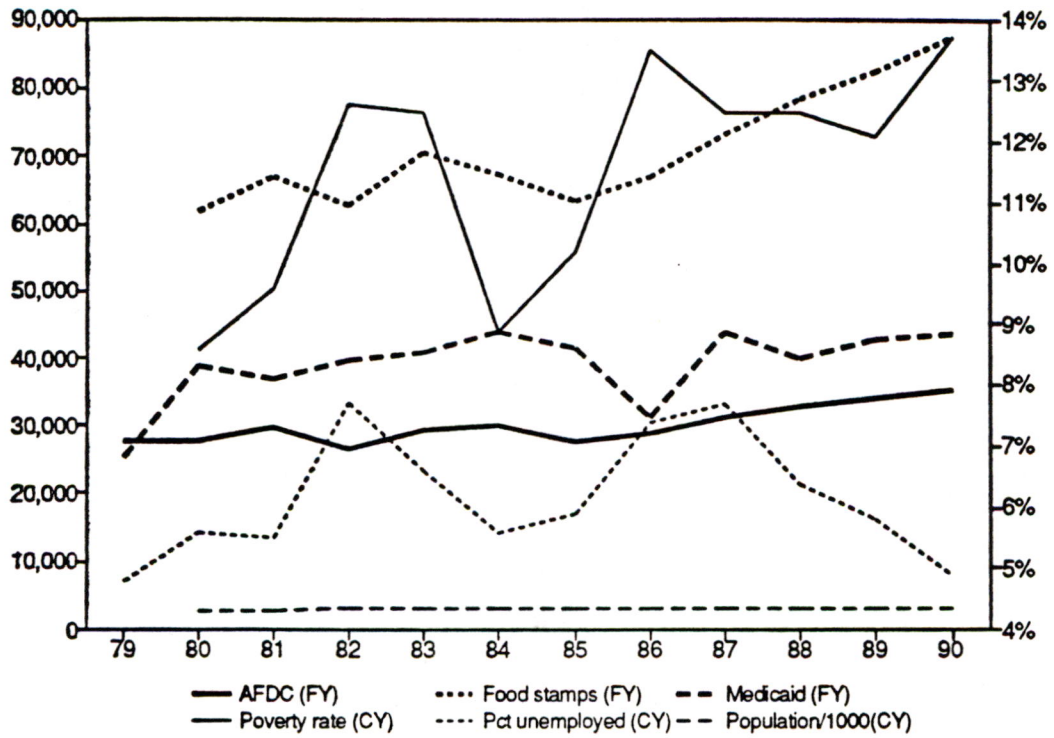
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

California



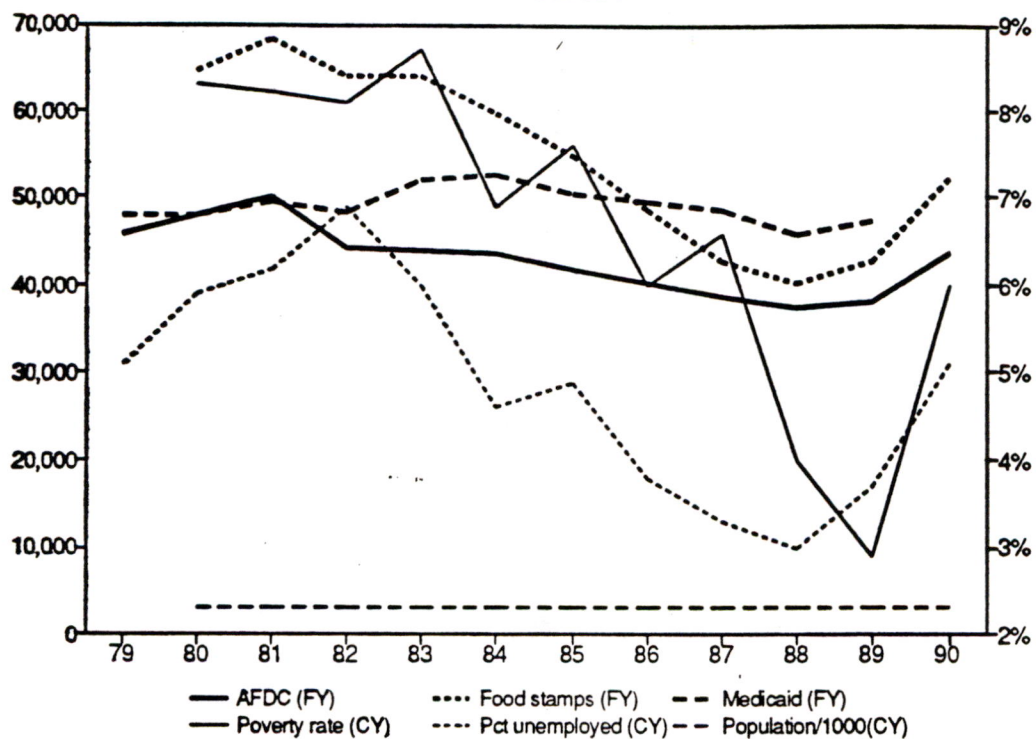
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Colorado



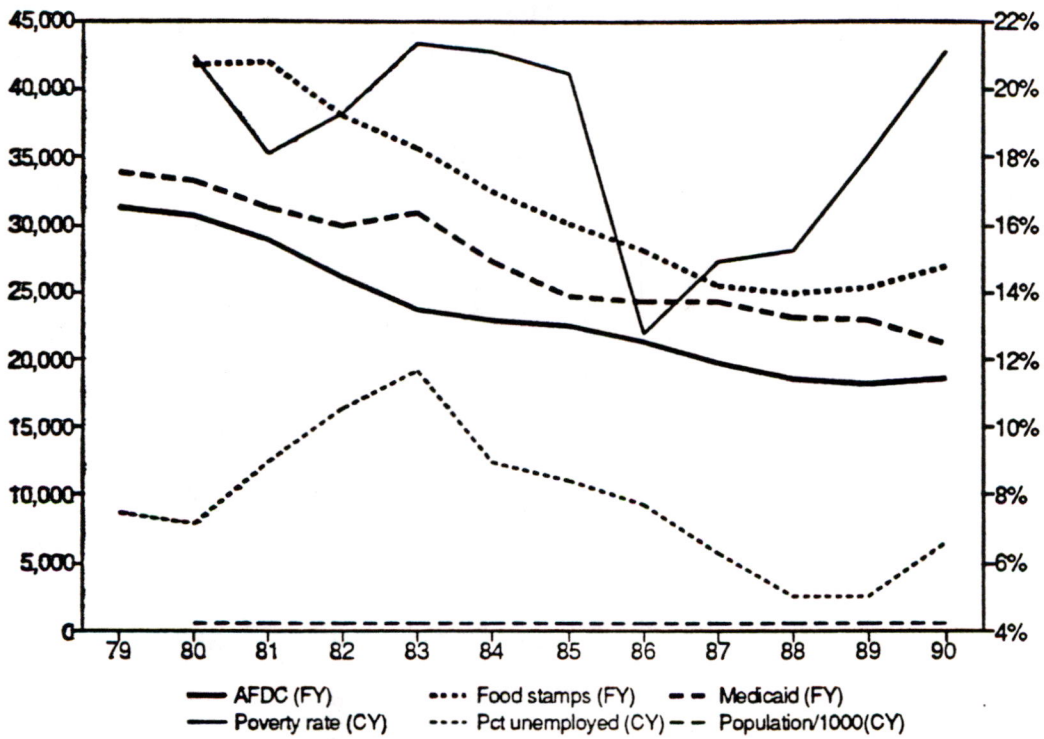
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Connecticut



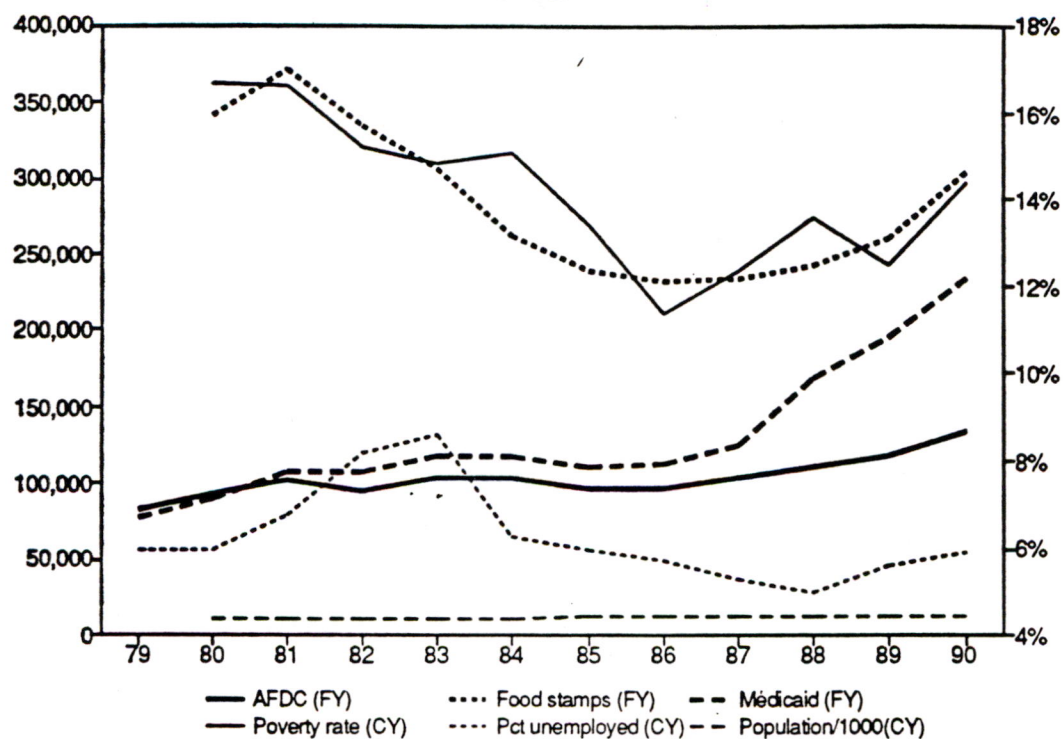
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

District of Columbia



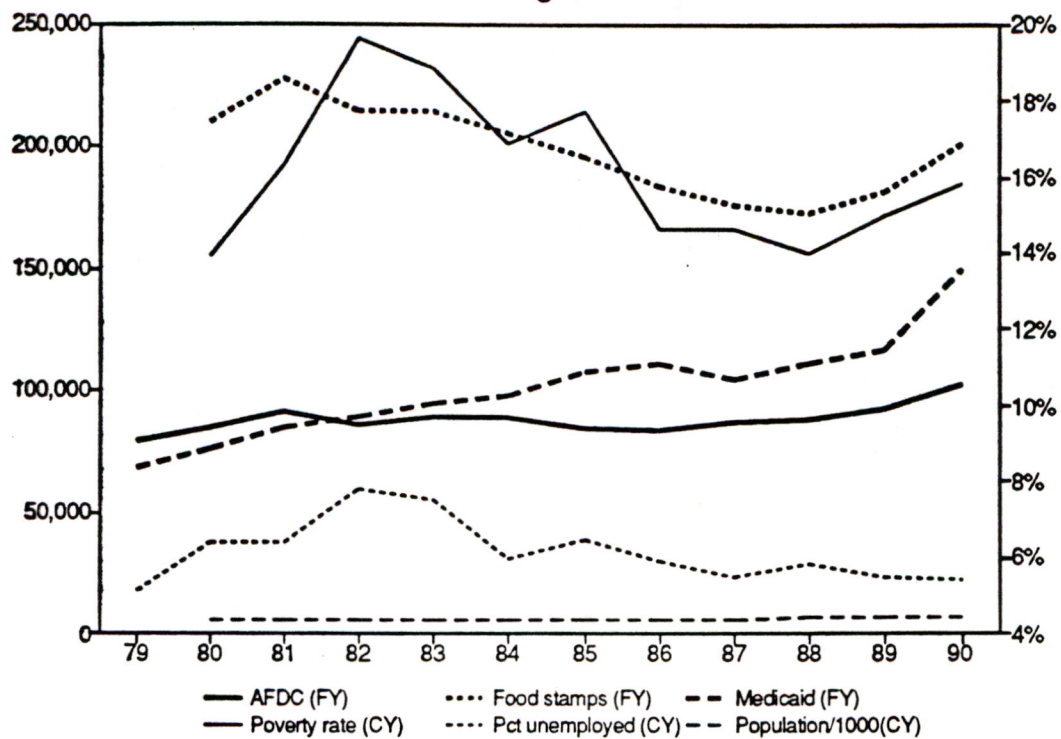
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Florida

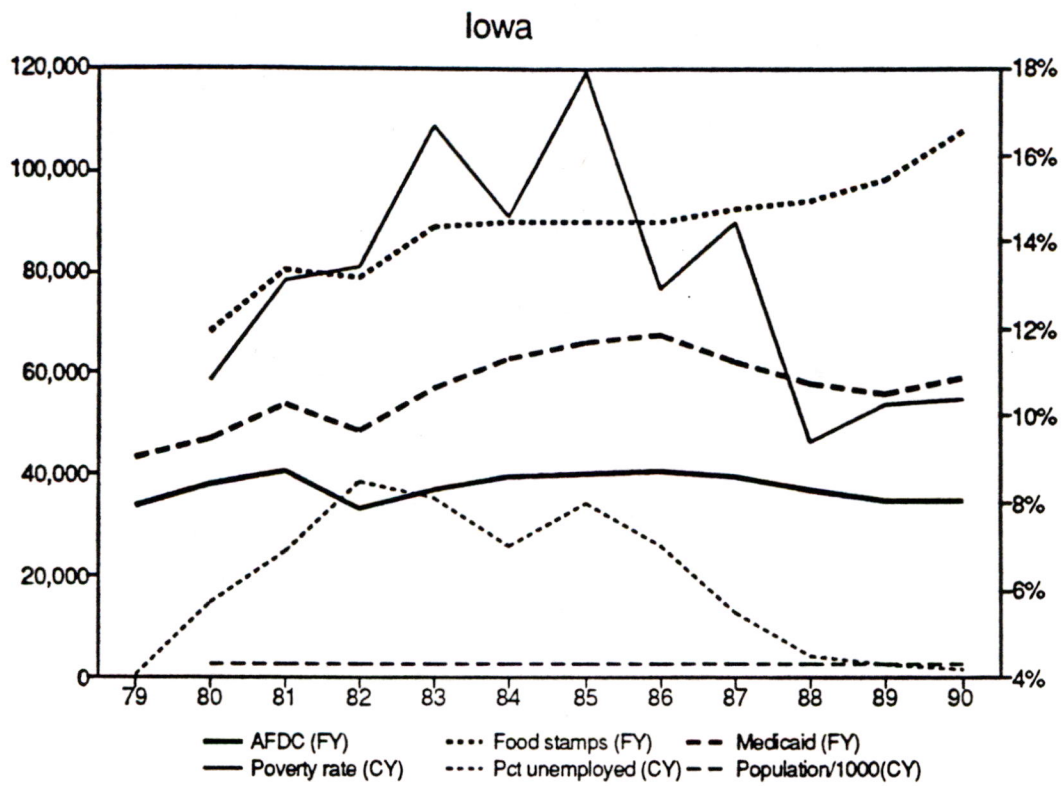


AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Georgia

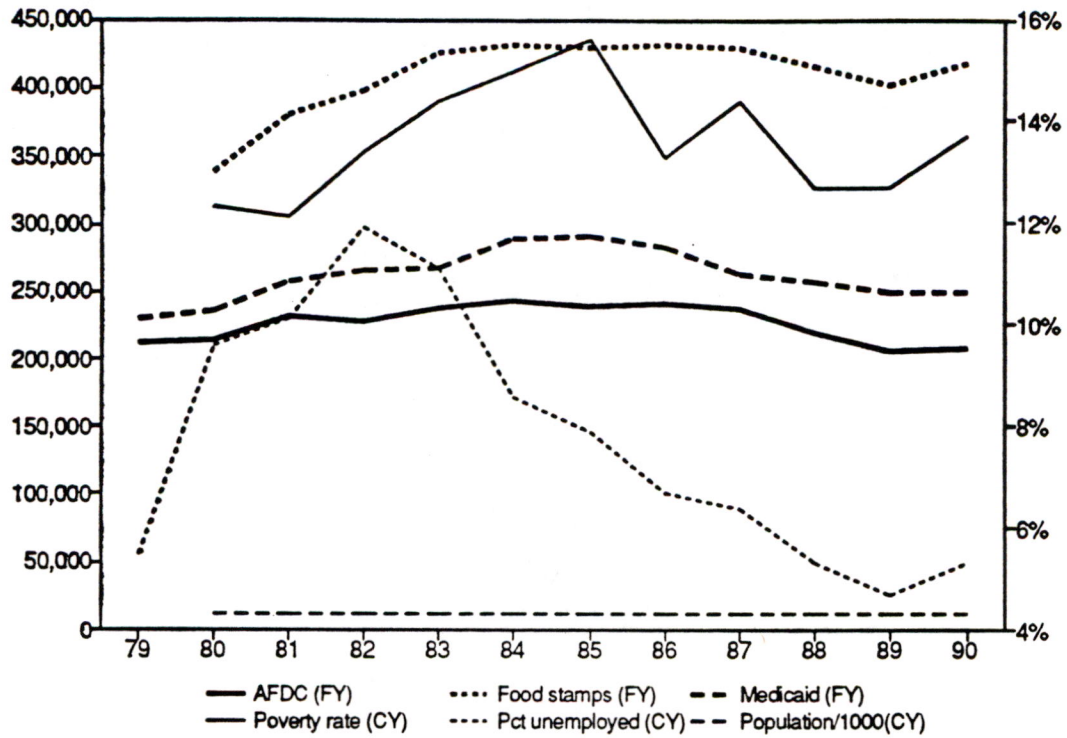


AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.



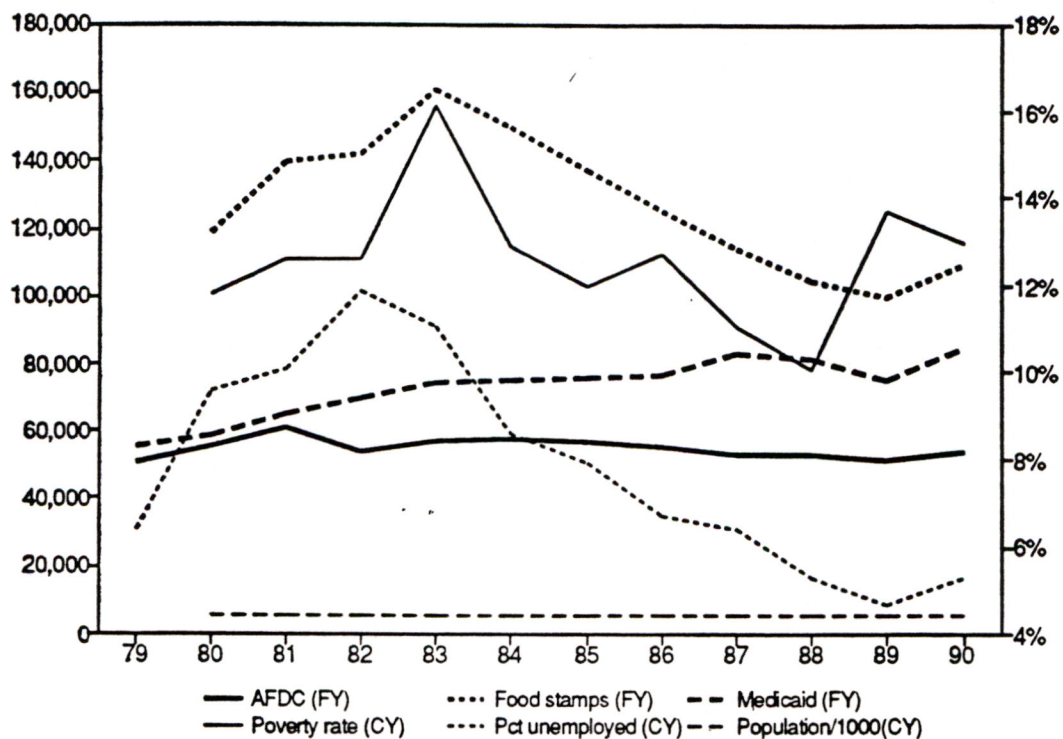
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Illinois



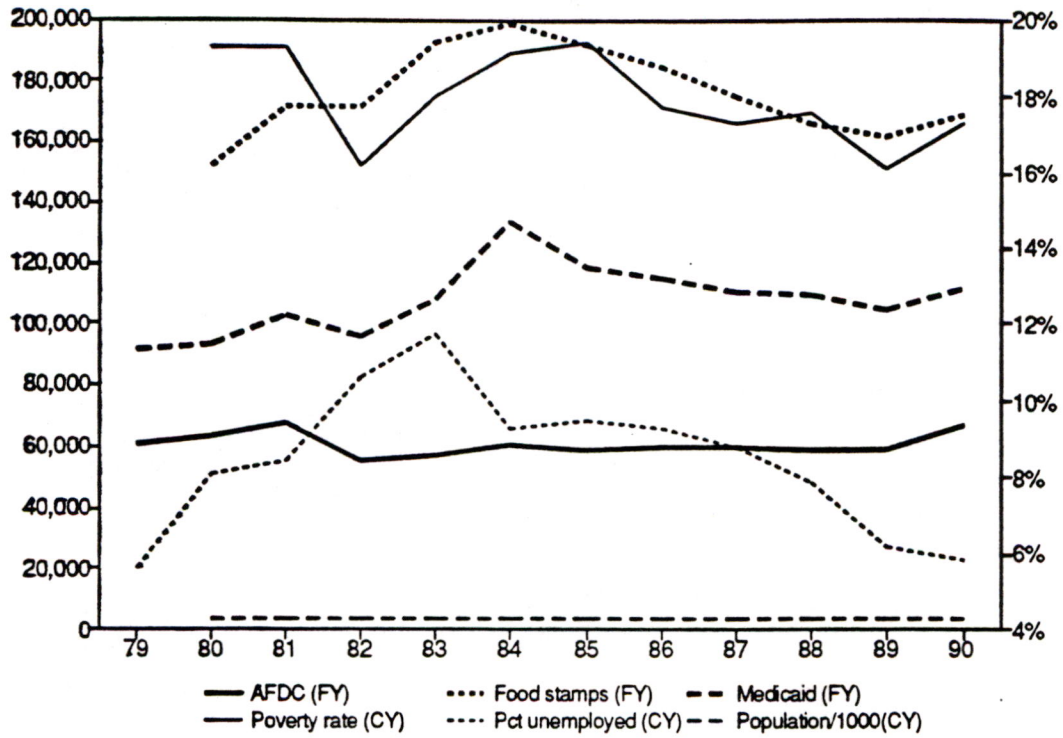
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Indiana



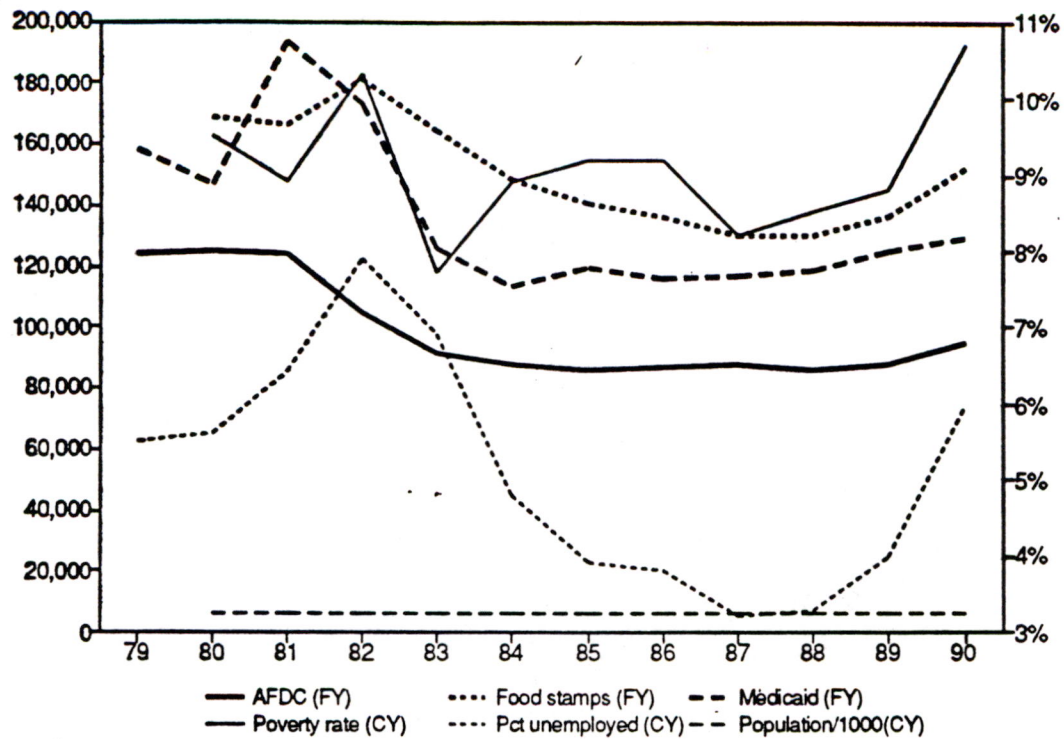
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Kentucky



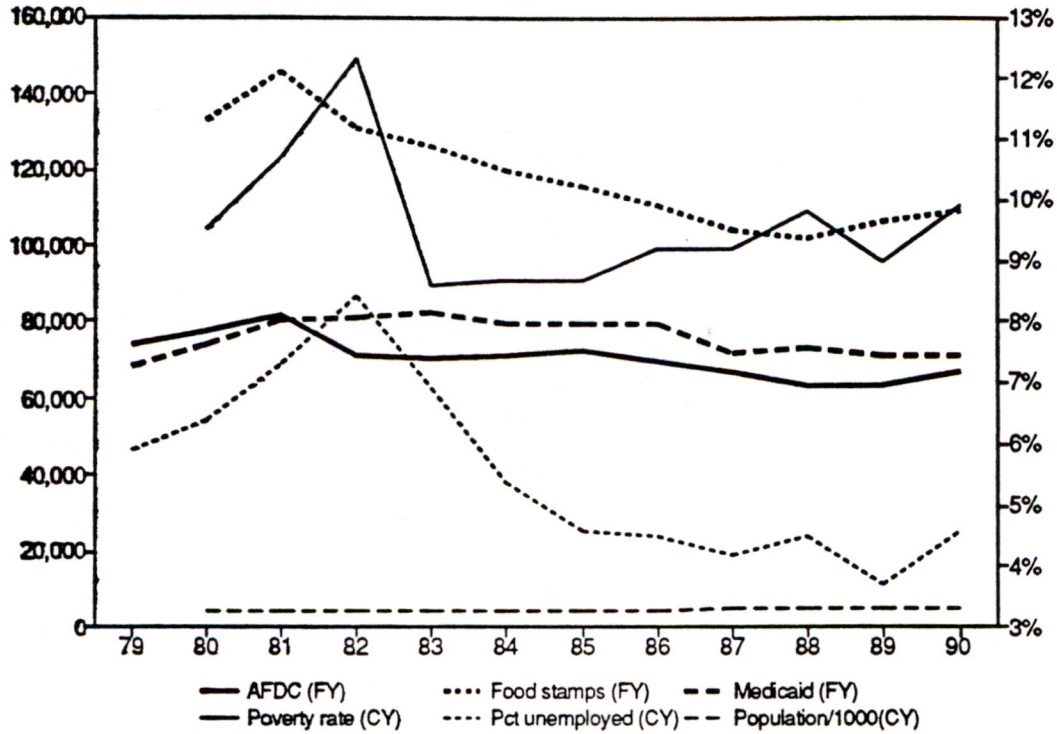
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Massachusetts



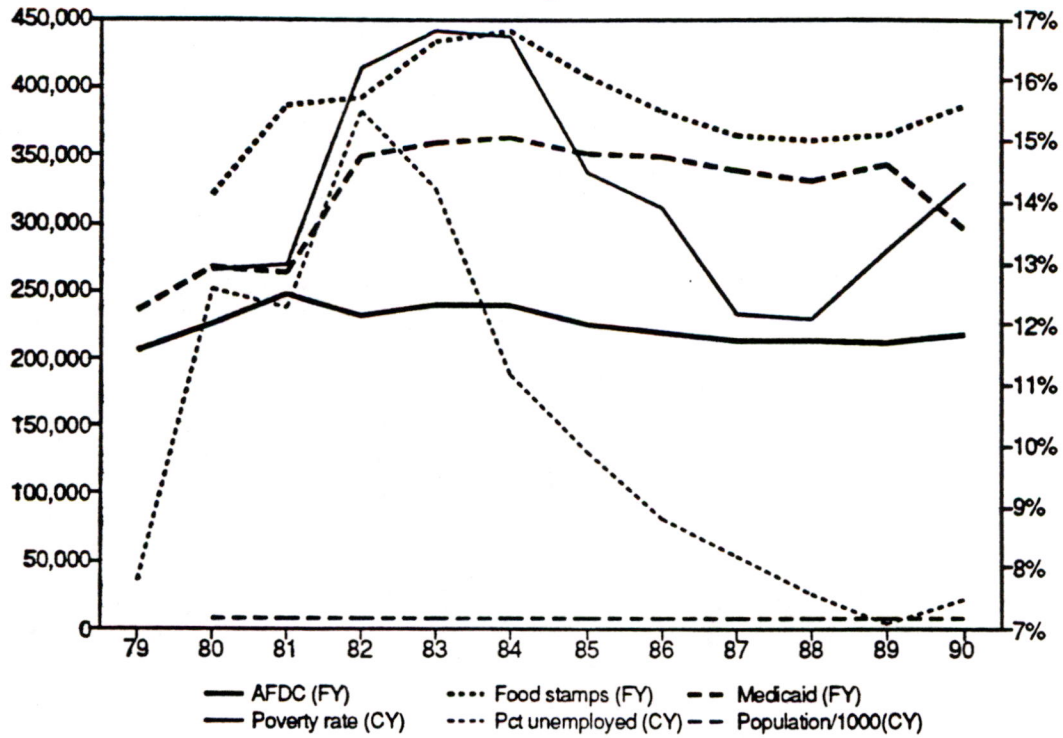
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Maryland



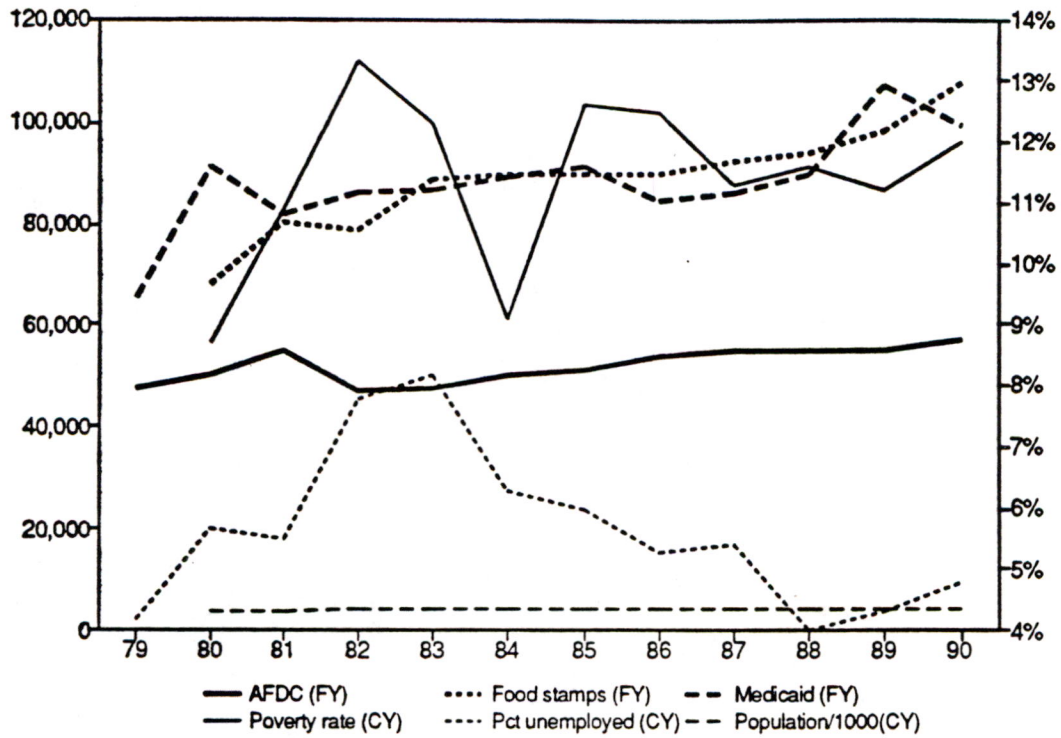
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Michigan



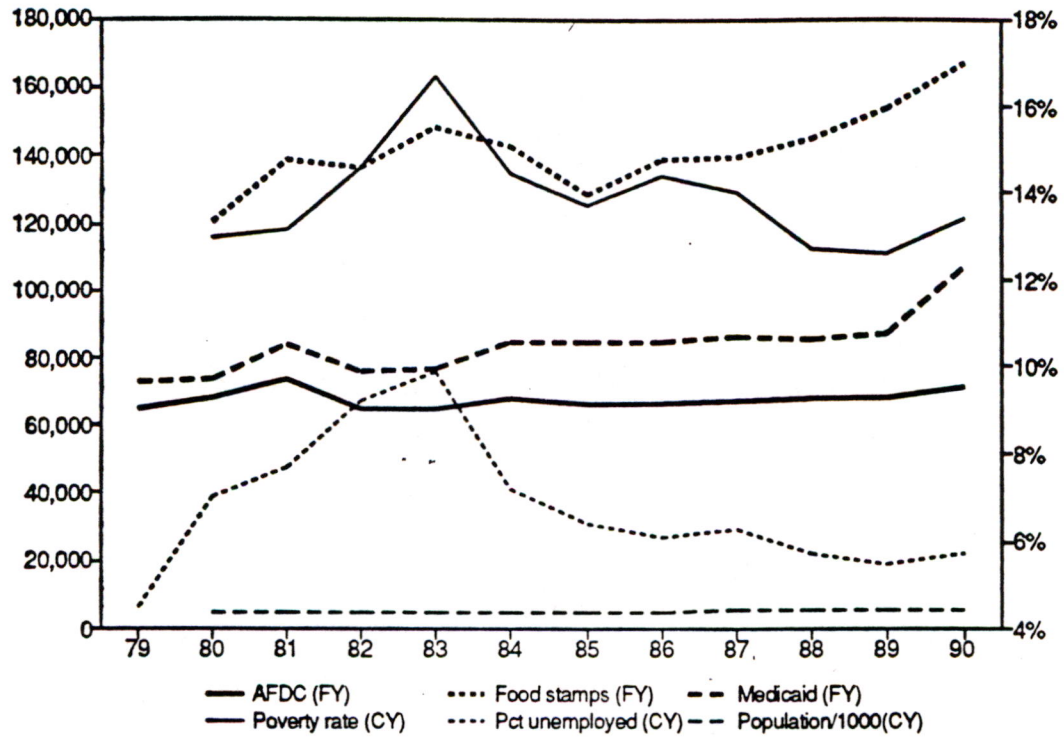
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Minnesota



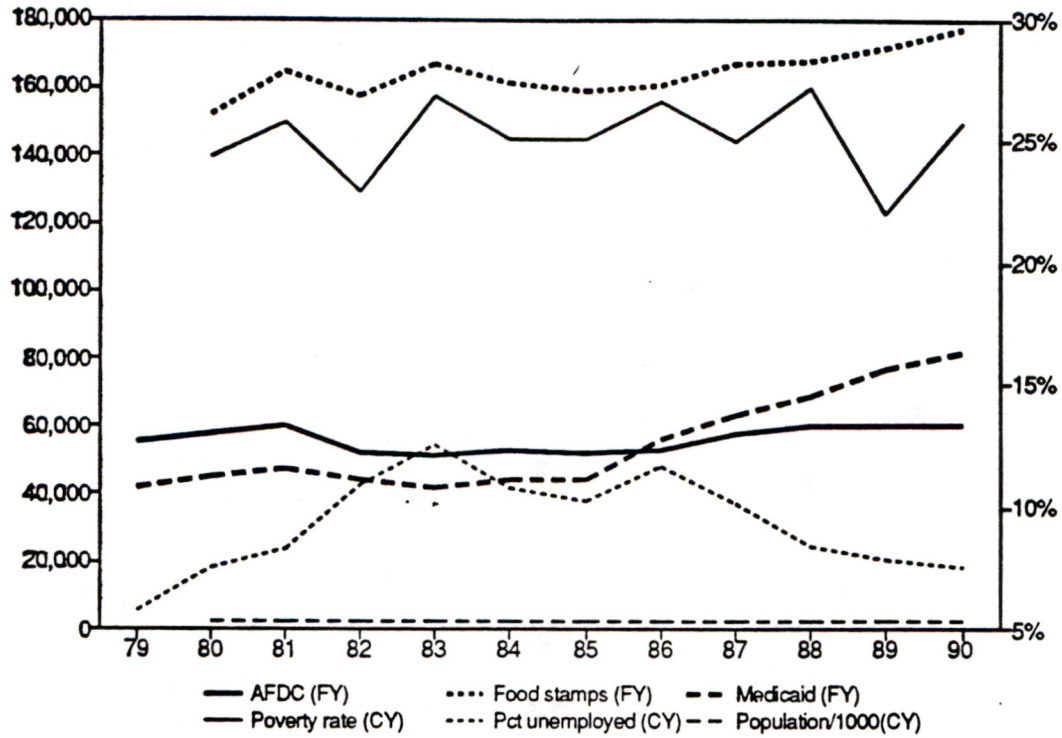
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Missouri



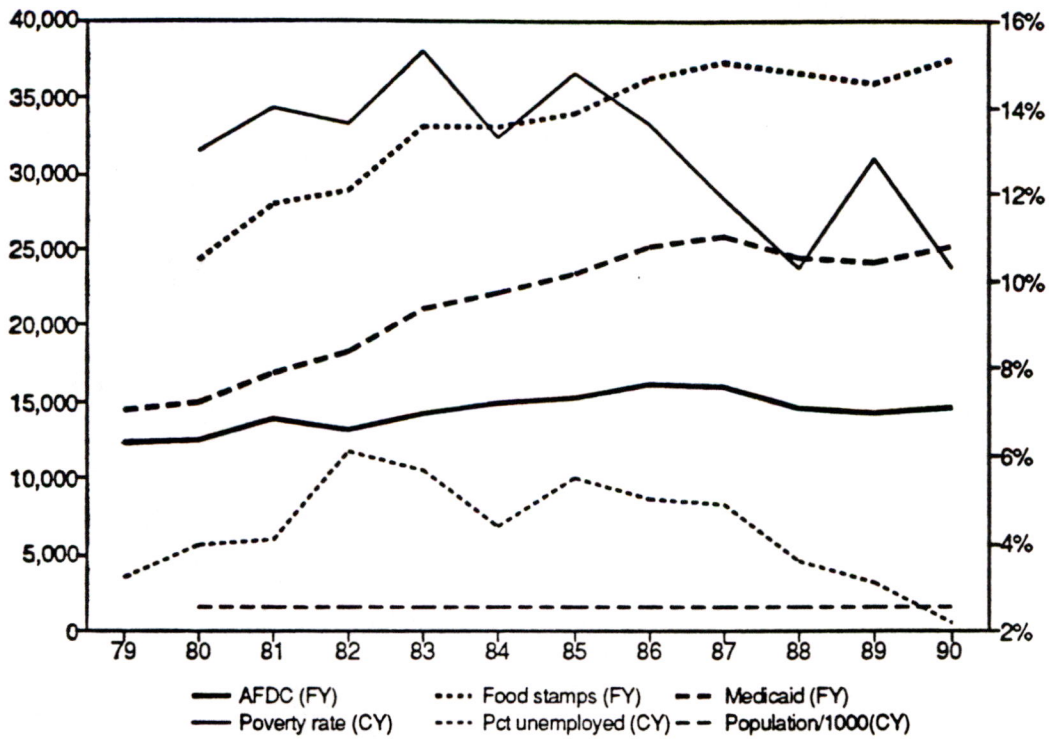
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Mississippi



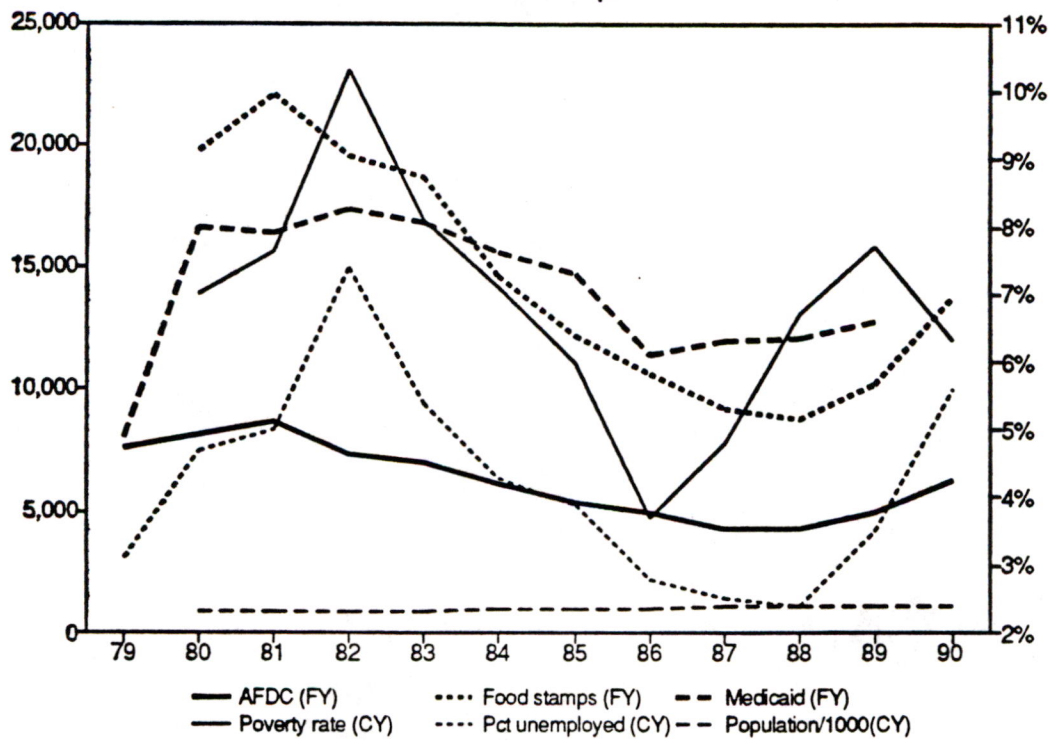
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Nebraska



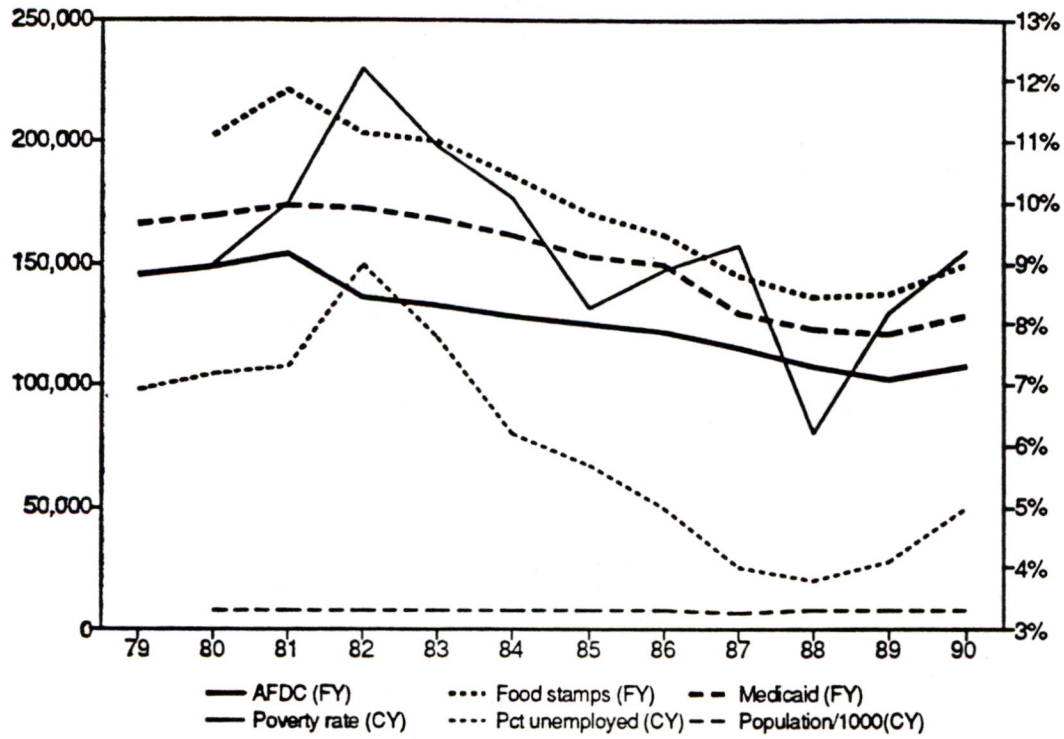
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

New Hampshire



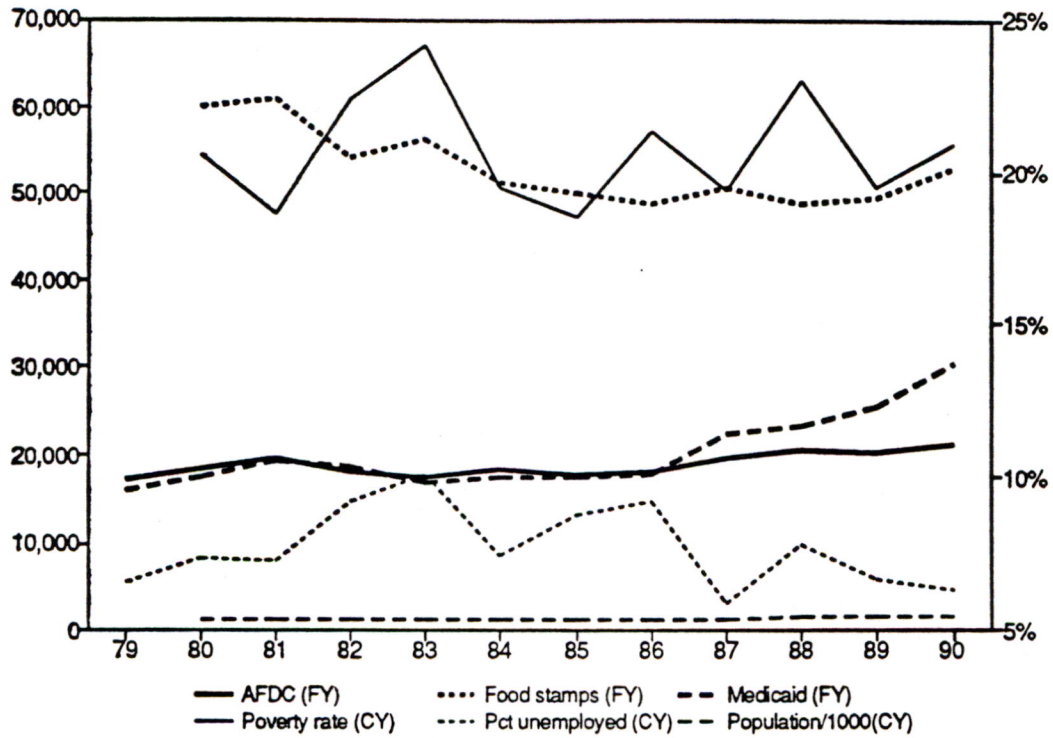
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

New Jersey



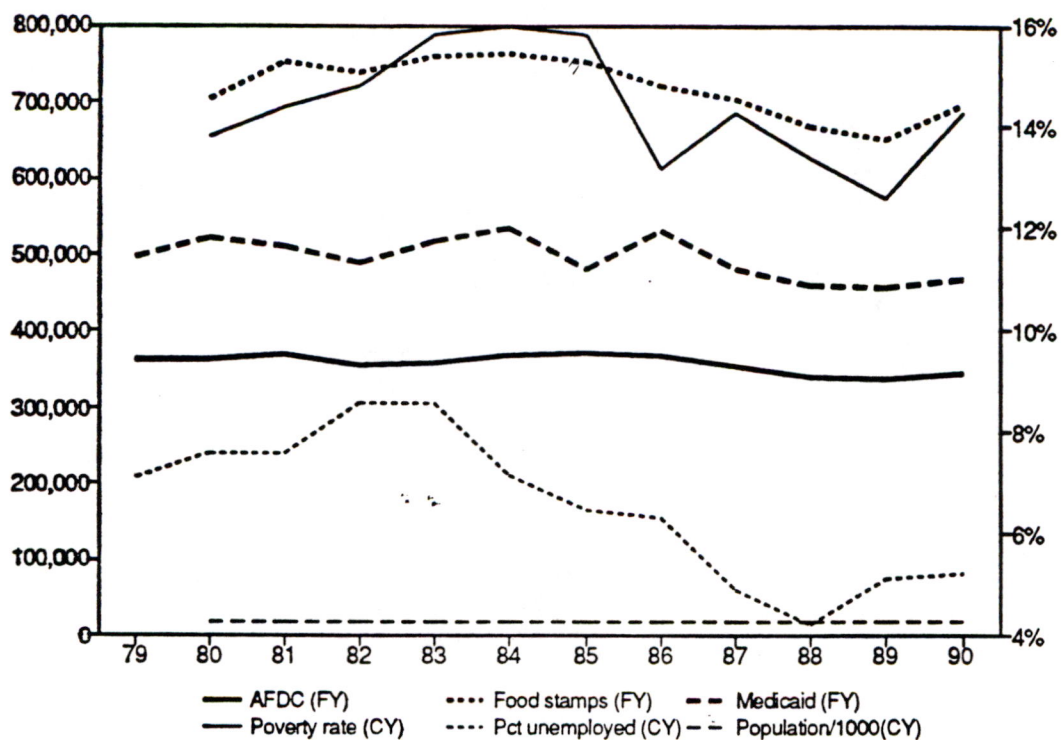
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

New Mexico



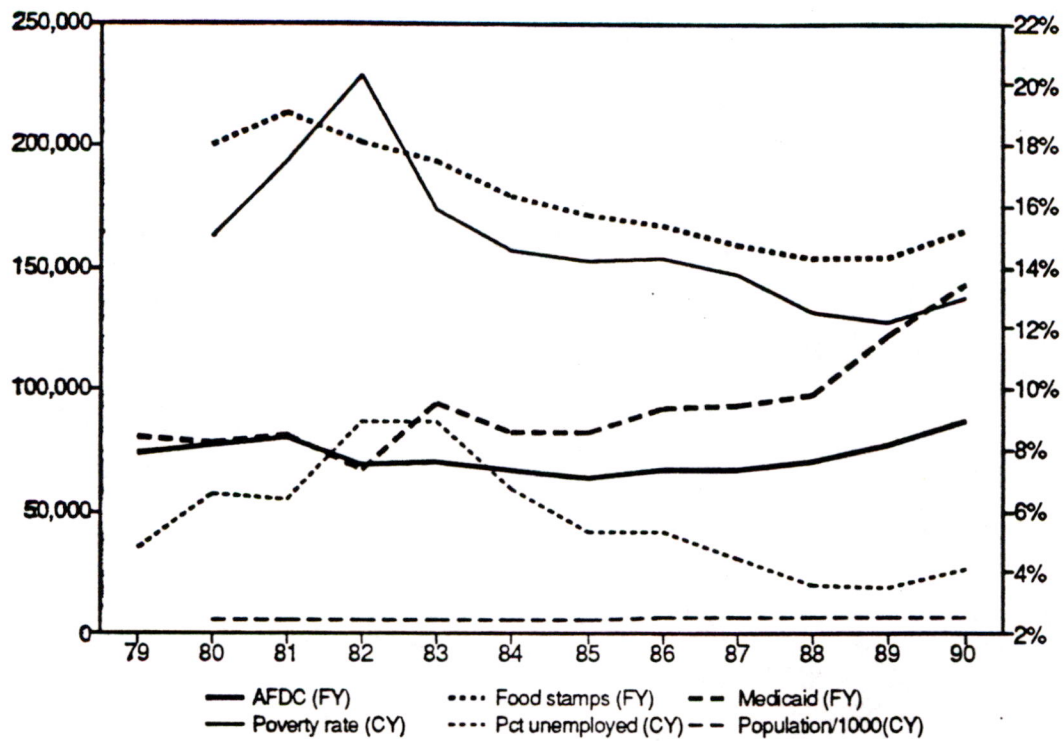
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

New York



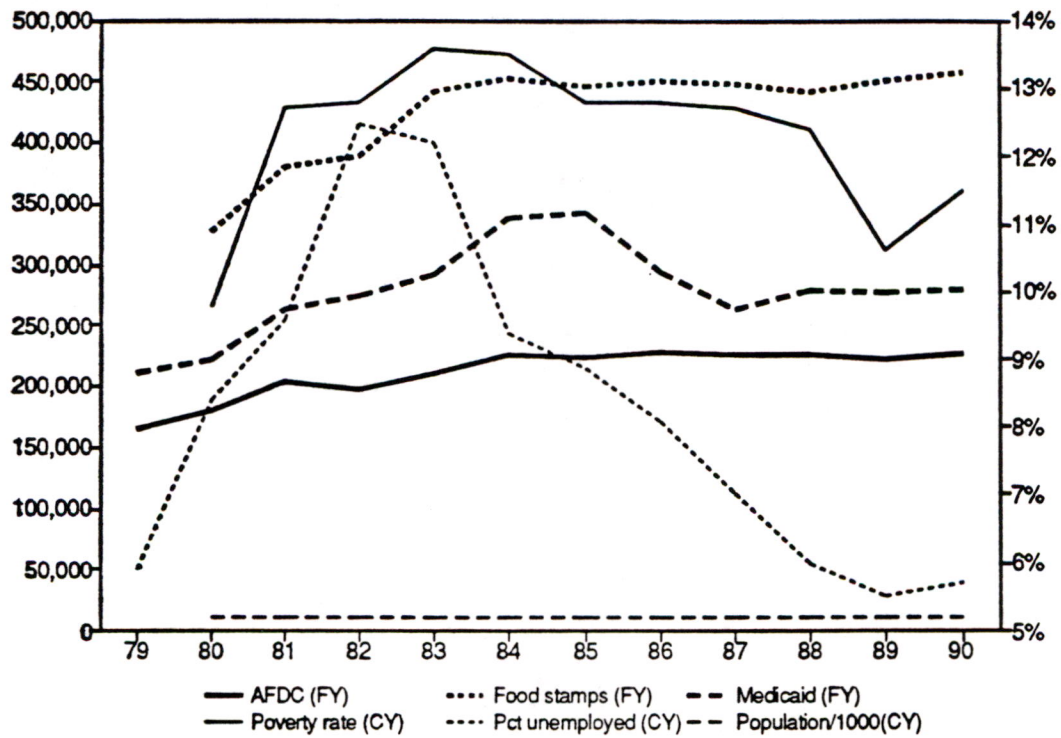
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

North Carolina



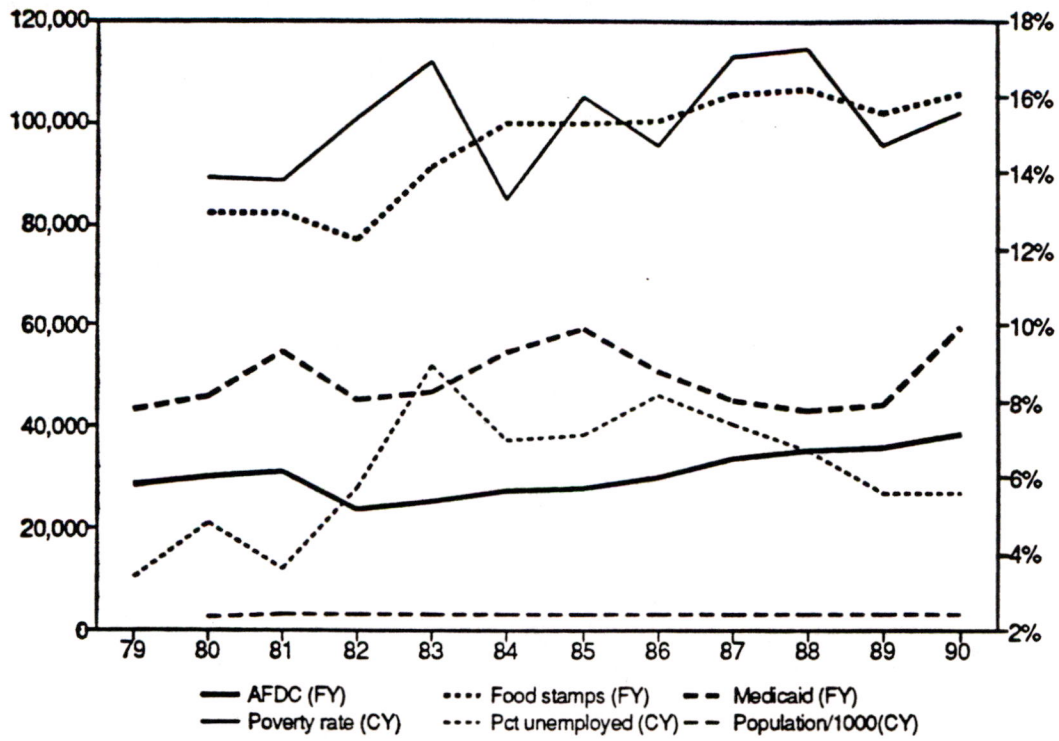
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Ohio



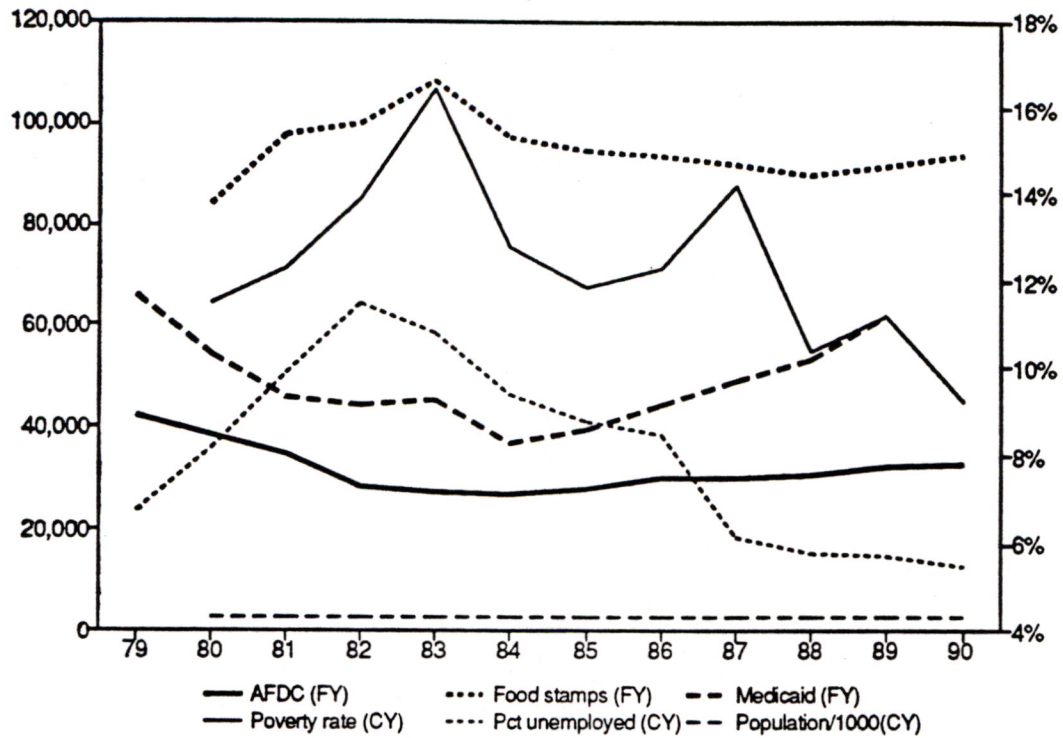
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Oklahoma



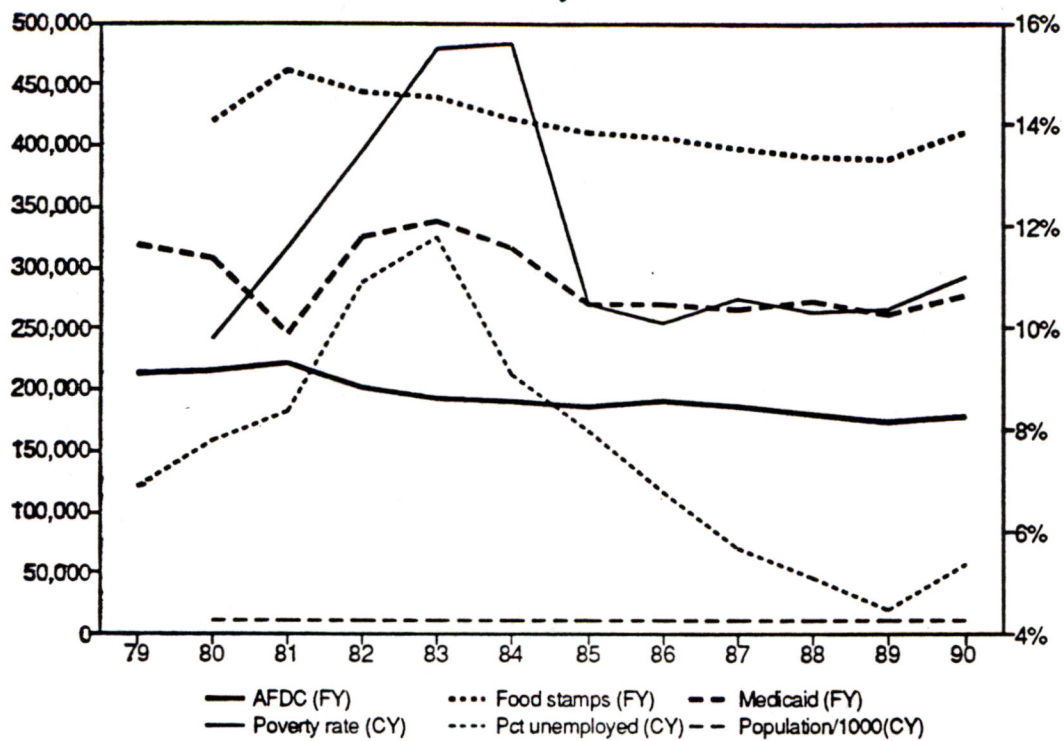
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Oregon



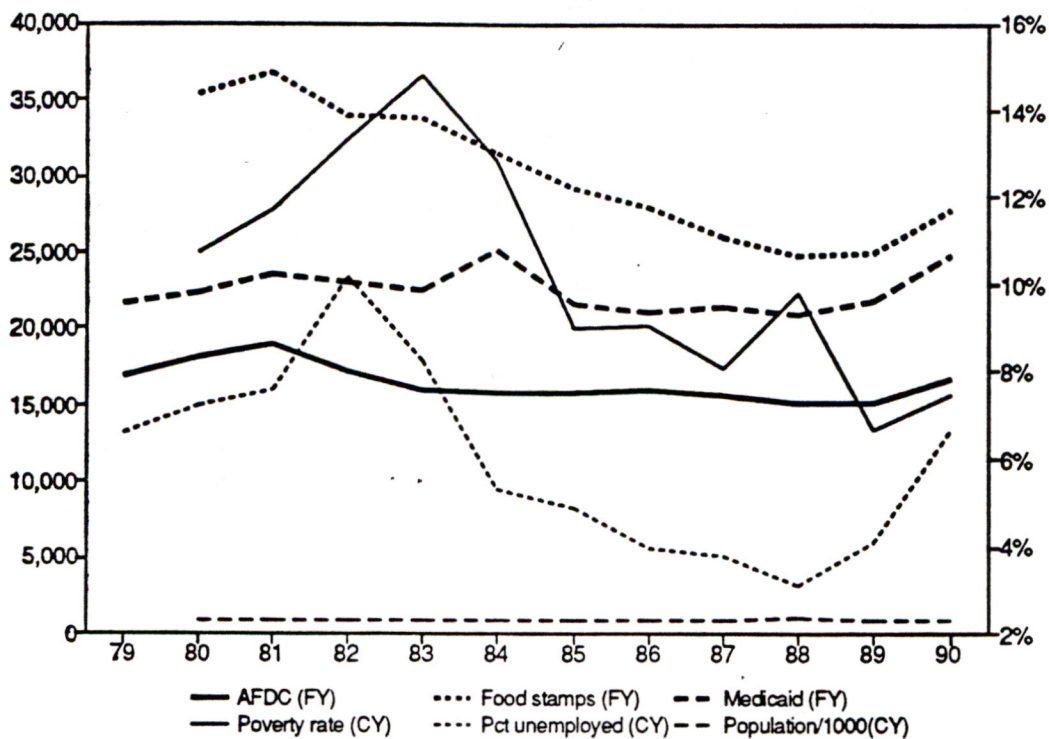
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Pennsylvania



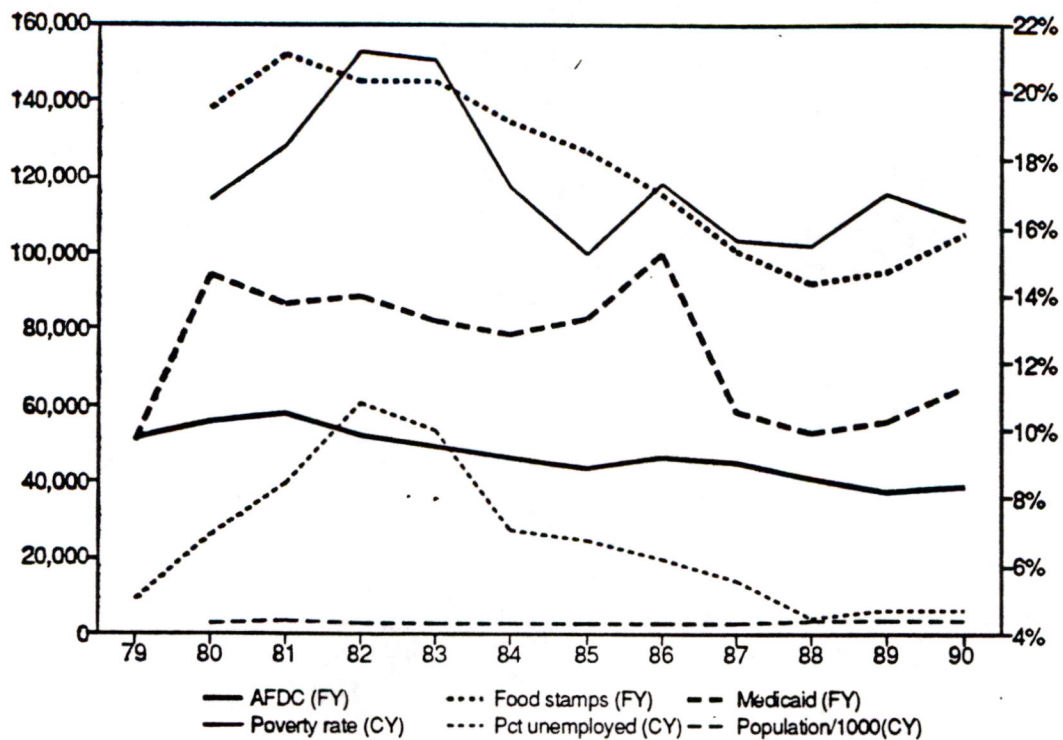
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Rhode Island



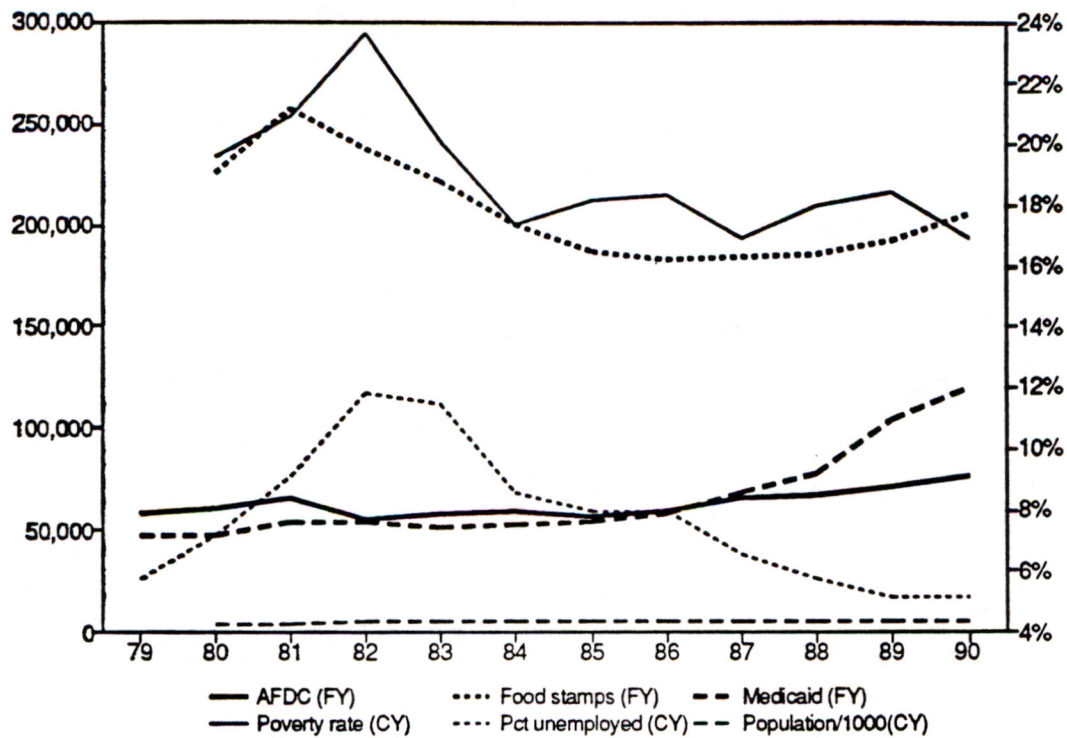
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

South Carolina



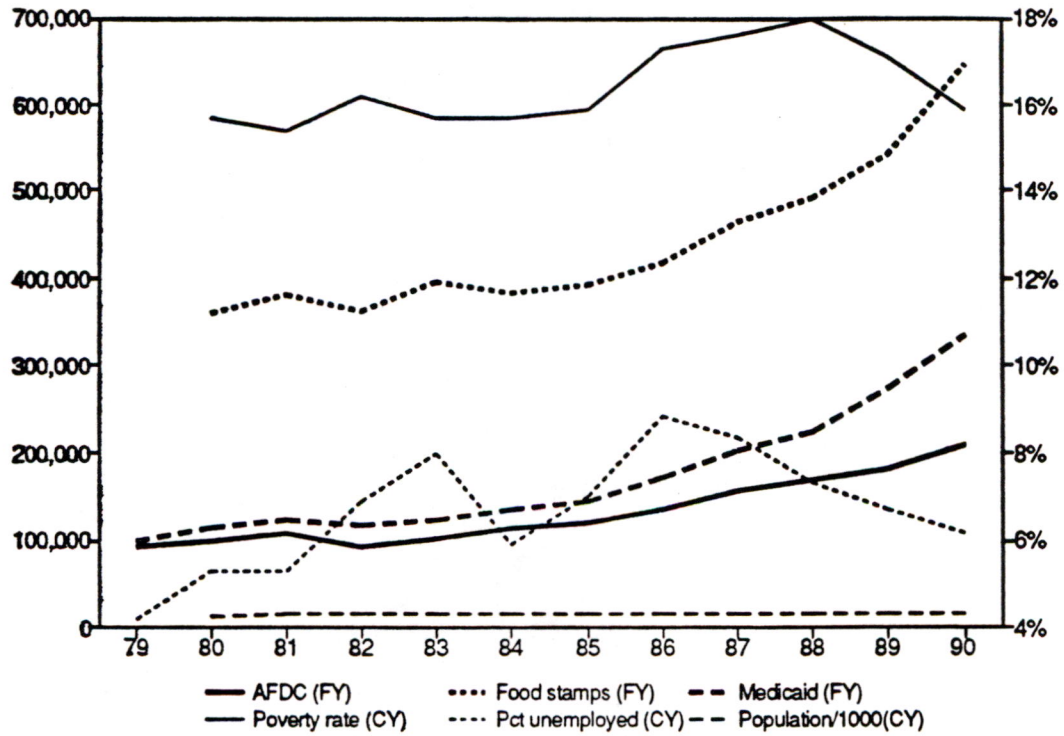
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Tennessee



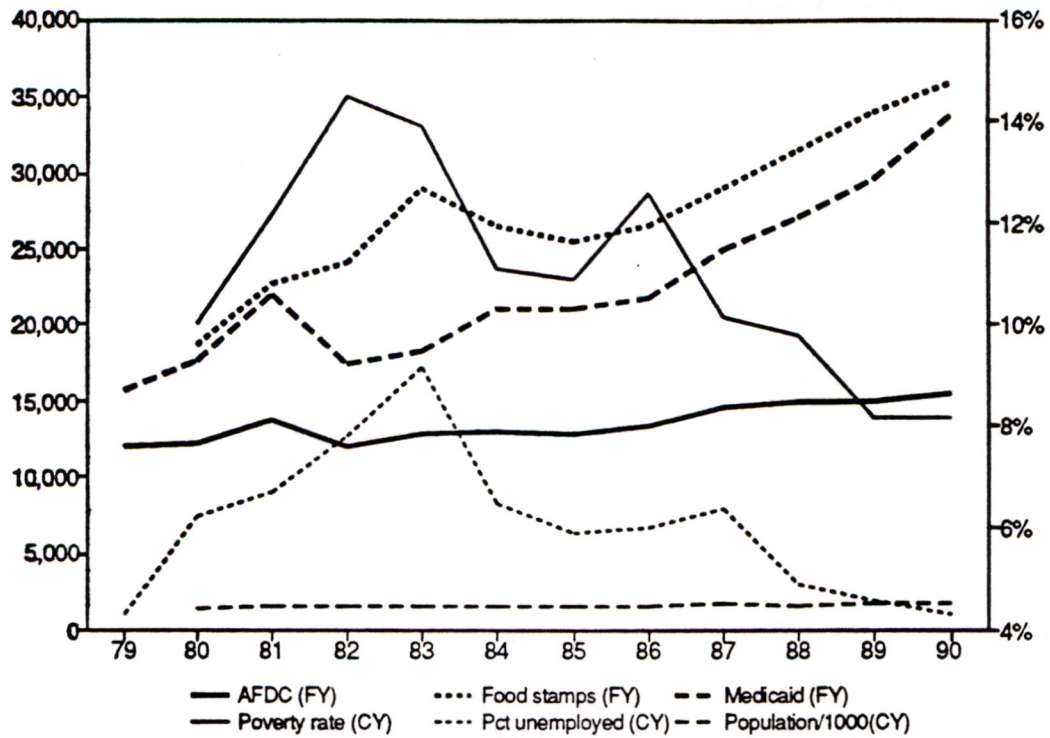
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Texas



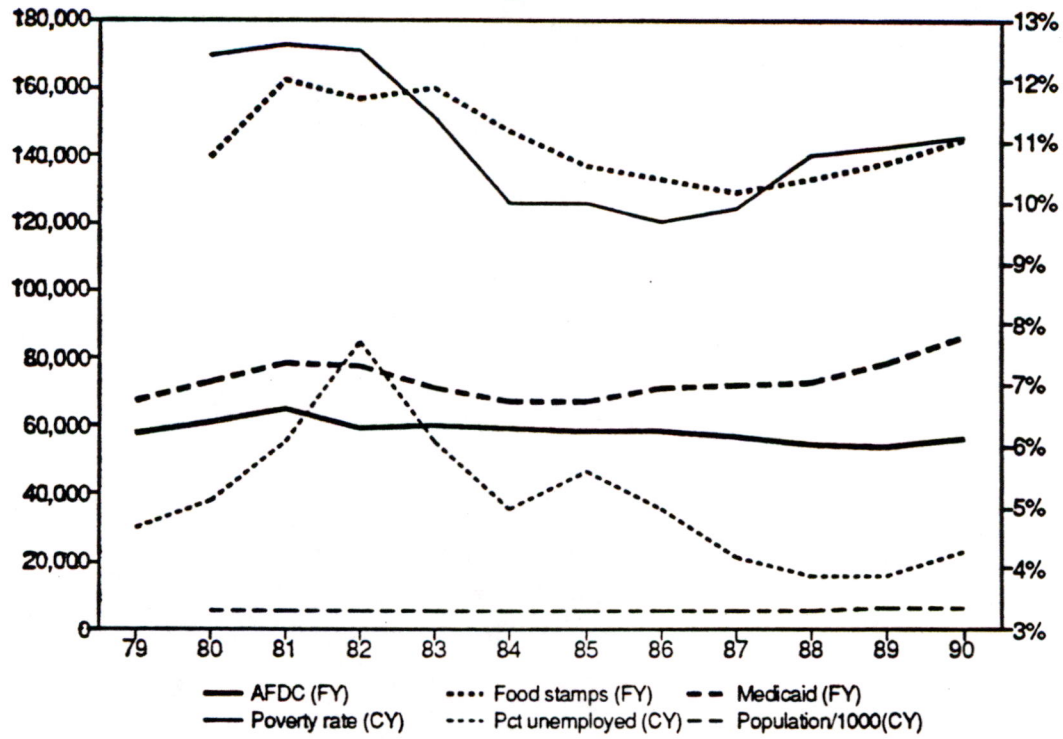
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Utah



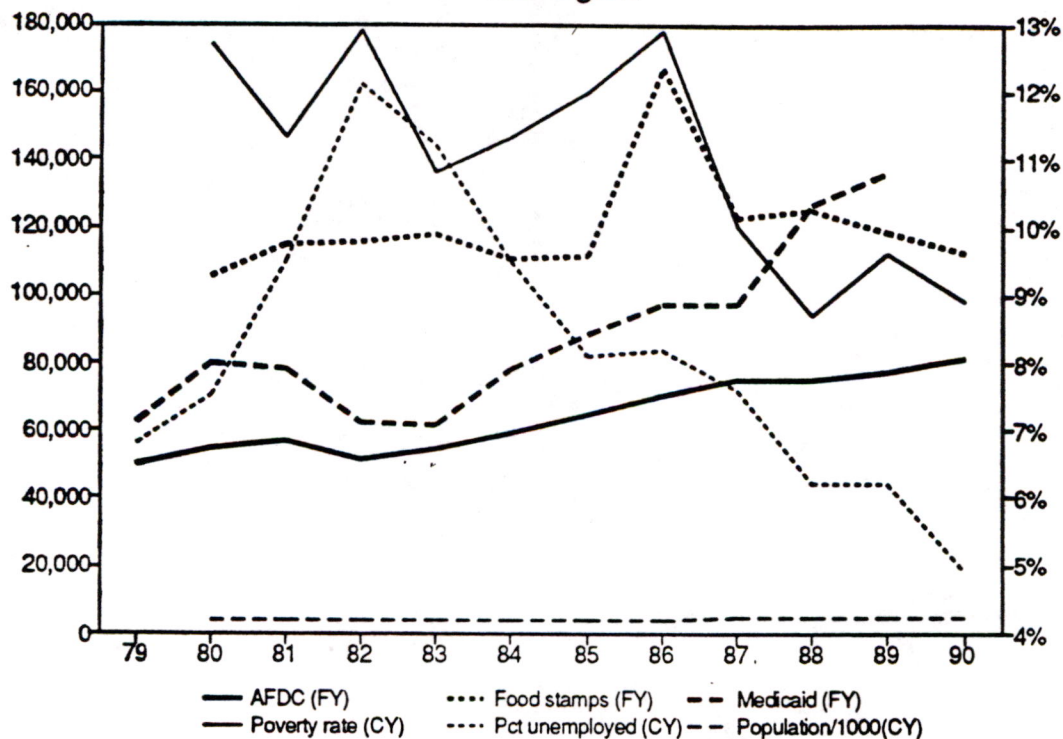
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Virginia



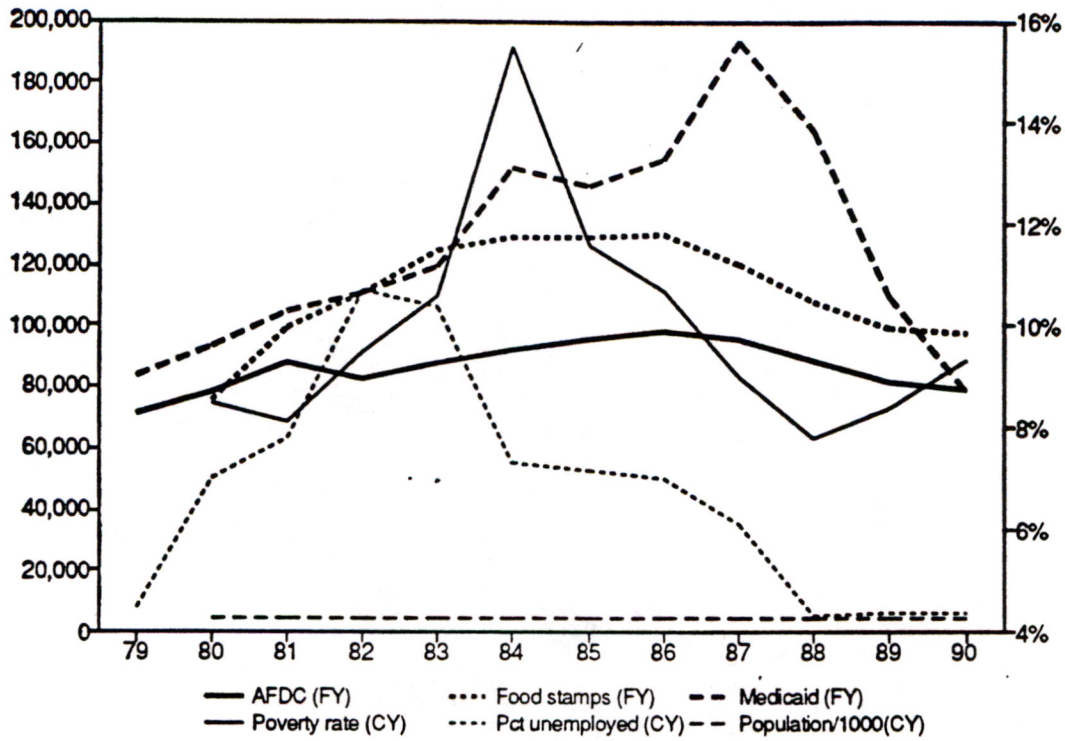
AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Washington



AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

Wisconsin



AFDC is mean monthly number of families. Food stamps is mean monthly number of households. Medicaid is annual number of adult recipients in families with dependent children. Poverty rate and population are from P-60, No. 175, Appendix D. Unemployment includes all civilians.

MEMO

To: Policy Makers
From: DAVID M. MASON, *Director of Executive Branch Liaison* 
Date: May 14, 1992
Subject: Behavioral Poverty

The L.A. riots are a reminder that our welfare system, while largely eradicating material poverty, has undermined the family, created a barren value system, and promoted long-term dependency.

In order to reform this system, we must address not only material poverty, but behavioral poverty, says Heritage Policy Analyst Robert Rector in **Strategies for Welfare Reform**. "In reality there is little material poverty in the U.S. in the sense generally understood by the public." What we have an abundance of, he says, is "a breakdown in the values and conduct which lead to the formation of healthy families, stable personalities, and self-sufficiency."

Rector argues that comprehensive reform must combine refusal to reward negative behavior with positive rewards for constructive behavior. Such reform would have seven parts:

- * reducing benefits;
- * requiring work in return for benefits;
- * requiring responsible behavior;
- * enforcing education requirements;
- * experimenting with welfare;
- * providing tax credits or vouchers for medical coverage to all working families;
- * providing tax relief to all families with children.

"While the poor were supposed to be the beneficiaries of War on Poverty's transfer programs, they instead have become its victims," Rector concludes. If policy makers continue to ignore behavioral poverty, "the welfare state will continue to worsen, rather than improve, the lives of America's poor."

I hope that you will find this publication useful. If you have any questions or comments, please feel free to contact me.

THE HERITAGE LECTURES

378

**Strategies for
Welfare Reform**

By Robert Rector



The Heritage Foundation was established in 1973 as a non partisan, tax-exempt policy research institute dedicated to the principles of free competitive enterprise, limited government, individual liberty, and strong national defense. The Foundation's research and study programs are designed to make the voices of responsible conservatism heard in Washington, D.C., throughout the United States, and in the capitals of the world.

Heritage publishes its research in a variety of formats for the benefit of policy makers; the communications media; the academic, business, and financial communities; and the public at large. Over the past five years alone The Heritage Foundation has published some 1,500 books, monographs, and studies, ranging in size from the 927-page government blueprint, *Mandate for Leadership III: Policy Strategies for the 1990's*, to the more frequent "Critical Issues" monographs and the topical "Backgrounders," "Issue Bulletins," and "Talking Points" papers. Heritage's other regular publications include the *SDI Report*, *Business/Education Insider*, *Mexico Watch*, and *Policy Review*, a quarterly journal of analysis and opinion.

In addition to the printed word, Heritage regularly brings together national and international opinion leaders and policy makers to discuss issues and ideas in a continuing series of seminars, lectures, debated, briefings, and conferences.

Heritage is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954, and is recognized as a publicly supported organization described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of The Heritage Foundation through tax-deductible gifts.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

The Heritage Foundation
214 Massachusetts Avenue, N.E.
Washington, D.C. 20002-4999
U.S.A.
202/546-4400

Strategies for Welfare Reform

By Robert Rector

INTRODUCTION

The United States welfare system has failed. Both the public and decision makers increasingly recognize that the current welfare system has harmed rather than helped the poor. Welfare has undermined the American family and promoted long-term dependency.

In the states, however, we see welfare reforms designed to reverse these patterns. These reforms focus on three themes: requiring responsible behavior from welfare recipients as a condition of receiving benefits; requiring some able-bodied welfare recipients to work in exchange for the benefits they receive; and finally, altering the welfare incentive structure by reducing the current rewards for non-work and single parenthood and increasing the relative rewards for work and marriage.

TWO TYPES OF POVERTY

The welfare system is intended to address the problem of poverty in the U.S. But welfare policy must begin with an understanding of two separate concepts of poverty: "material poverty" and "behavioral poverty." Material poverty means, in the simplest sense, having a family income below the official poverty income threshold, which was \$12,675 for a family of four in 1991. To the average man on the street, to say someone is poor implies that he or she is malnourished, inadequately clothed, and lives in inadequate housing.

In reality there is little material poverty in the U.S. in this sense generally understood by the public.¹ Today the fifth of the population with the lowest incomes has a level of economic consumption higher than that of the median American family in 1955.² There is little or no poverty-induced malnutrition in the U.S. Persons defined by the U.S. government as "poor" have almost the same average level of consumption of protein, vitamins, and other nutrients as persons in the upper middle class.³ Children living in "poverty" today, far from being malnourished, actually grow up to be one inch taller and 10 pounds heavier than the average

Robert Rector is a policy analyst on welfare and family issues at The Heritage Foundation.

This is his testimony before the Domestic Task Force of the Select Committee on Hunger, U.S. House of Representatives, April 9, 1992.

ISSN 0272-1155. ©1992 by The Heritage Foundation.

-
- 1 Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform," Heritage Foundation *Backgrounder* No. 875, January 31, 1992.
 - 2 Robert Rector, Kate Walsh O'Beirne, and Michael J. McLaughlin, "How Poor Are America's Poor?" Heritage Foundation *Backgrounder* No. 791, September 21, 1990, p. 2.
 - 3 Robert Rector, "Food Fight: How Hungry Are America's Children?" *Policy Review*, Fall 1991, pp. 38-43.
Robert Rector, "Hunger and Malnutrition Among American Children," Heritage Foundation *Backgrounder* No. 843, August 2, 1991.

child of the same age in the general population in the late 1950s.⁴ The principal nutrition-related problem facing poor persons in the U.S. today is obesity, not "hunger"; the poor are more likely to be obese than are other persons in the U.S.

Similarly, a "poor" American has more housing space and is less likely to be overcrowded than is the average citizen in Western Europe.⁵ Nearly all of the American poor live in decent housing that is well-maintained. In fact, nearly 40 percent of the households defined as "poor" by the U.S. government actually own their own homes.

"Behavioral poverty," by contrast, refers to a breakdown in the values and conduct which lead to the formation of healthy families, stable personalities, and self-sufficiency. Behavioral poverty is a cluster of social pathologies including: eroded work ethic and dependency, lack of educational aspiration and achievement, inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. While there may be little material poverty in the United States, behavioral poverty is abundant and growing.

COMPETING APPROACHES TO WELFARE

There are three distinct approaches to dealing with the inter-related problems of material poverty and behavioral poverty.

- 1) **The first approach**, which could be called "liberal," maintains that decreasing material poverty leads to decreasing behavioral poverty. Thus raising the incomes of the poor through cash, food aid, and housing assistance will cause an increase in emotional stability, educational success, and so forth.
- 2) **The second approach**, which could be called "redistributionist," posits no clear link between raising incomes and reducing behavioral problems. This theory promotes welfare expansion to raise the incomes of the less affluent for its own sake. While this approach focuses initially on dealing with vital needs such as eliminating malnutrition, its aims are open-ended. Thus although welfare spending is already more than twice the amount needed to eliminate all poverty in the U.S., demands for more spending are as vociferous as ever. Many advocates of this position believe strongly that income redistribution is a positive goal in and of itself, and seek to use welfare policy as a means of attaining that goal. The more income redistributed the better.
- 3) **The third approach** might be termed "conservative." It rests on the belief that spending on most welfare programs actually has increased behavioral poverty. In particular, welfare has led to an increase in prolonged dependency and has undermined family structure, thereby contributing to increases in other dysfunctional behaviors.

The assumptions behind the first, or liberal, approach to welfare policy are decisively refuted by historical experience. Throughout most of the twentieth century the incomes of Americans of

4 Bernard D. Karpinos, *Height and Weight of Military Youths* (Medical Statistics Division, Office of the Surgeon General, Department of the Army, 1960), pp. 336-351. Information on the current height and weight of youths provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services based on the National Health and Nutrition Examination Survey.

5 Rector, "How the Poor Really Live," pp. 12-13.

all social classes have increased dramatically. As noted, after adjusting for inflation, the per capita economic consumption of the least affluent 20 percent of households today exceeds the per capita income of the median income U.S. family in 1955. In 1950, some 32 percent of Americans were "poor," having incomes below today's poverty income thresholds adjusted for inflation—in 1990, 13.5 percent of the population was poor. Going back further in time, we find that in the late 1920s the median income of American households was \$1,606 (or \$11,000 in 1990 dollars); in that year half of the population was probably poor by today's standards.⁶ According to the axioms of liberal welfare policy, as incomes in all social classes rose dramatically throughout the century, we should have seen increases in cognitive ability, increases in emotional stability, increases in marital stability, and decreases in crime.⁷ Instead we have seen the opposite.

The fact is that most people alive today had at least one parent or grandparent who was "poor" by the current government definition adjusted for inflation. But most of these individuals were not poor in the sense understood by the general public because, although their incomes were low, their values, disciplines, and behavior were middle class—as were the values they passed on to their children. Merely raising someone's income does not inculcate middle class values and behavior; in fact, most welfare programs do exactly the opposite.⁸

THE KEY WELFARE PROBLEM

Following the liberal and redistributionist approaches to welfare, the present welfare system is designed almost exclusively to raise the material living standards of less affluent Americans. The federal government provides cash, food, housing and medical assistance, and other benefits through 75 separate welfare programs. Total federal, state, and local welfare spending reached \$225 billion in 1990, excluding all middle class entitlement programs such as Social Security and Medicare. This figure was more than twice the amount needed to raise the income of every American above the current poverty income thresholds.

But for the general public the real problem with welfare is not merely the rapidly expanding cost, which now absorbs over 4 percent of the entire national economy—but the sense that welfare actually harms rather than helps the poor.

6 In the late 1920s an average size household with an income at the national median would have had an income below today's poverty threshold measured in constant dollars.

7 In one limited respect, higher income did lead to an increase in the average number of years of school attendance throughout the century. In earlier periods, many young people left school to obtain employment and help support their families. Thus in the past we could expect that an increase in family income would increase average number of years of schooling attained by a child. However, at the present time, leaving school to obtain employment to support one's family is scarcely a major cause of the school dropout problem.

8 The belief that raising incomes reduces behavioral poverty is not grounded in historical reality but is instead based on superficial and misleading statistical analyses. In many studies "family income" is correlated or regressed against behavioral variables; the analysis then shows that school failure, for example, is more likely among children in families with average incomes of \$15,000 than in families with incomes of \$25,000 of similar family type and educational standing. The study then concludes that if we give the lower income families an extra \$10,000 in income we can expect the average school performance of the lower income children to increase to the same level as that of the higher income children. This is spurious reasoning. Income correlates closely with other psychological variables such as parents' family background, self control, motivation, and cognitive and interpersonal skills. These psychological variables generally will not be quantified and included in the regression analysis, but it is these non-measured psychological variables which cause the higher average school performance or higher behavioral stability among children in higher income families, not the bigger monthly paycheck.

The key dilemma of the welfare state is that the prolific spending intended to alleviate material poverty has led to a dramatic increase in "behavioral poverty." The War on Poverty may have raised the material standard of living of some Americans, but at a cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government transfers.

HOW WELFARE UNDERMINES WORK AND MARRIAGE

Current welfare may best be conceptualized as a system which offers each single mother a "paycheck" worth an average of between \$8,500 and \$15,000, depending on the state.⁹ The mother has a contract with the government: She will continue to receive her "paycheck" as long as she fulfills two conditions:

- 1) she must not work; and
- 2) she must not marry an employed male.¹⁰

The current welfare system has made marriage economically irrational for most low-income parents. Welfare has converted the low-income working husband from a necessary breadwinner into a net financial handicap. It has transformed marriage from a legal institution designed to protect and nurture children into an institution which financially penalizes nearly all low-income parents who enter into it.

Across the nation, the current welfare system has all but destroyed family structure in the inner city. Welfare establishes strong financial disincentives, effectively blocking the formation of intact, two-parent families. Example: Suppose a young man in the inner city has fathered a child out of wedlock with his girlfriend. If this young father abandons his responsibilities to the mother and child, government will step in and support the mother and child with welfare. If the mother has a second child out of wedlock, as is common, average combined benefits will reach around \$13,000 per year.

If, on the other hand, the young man does what society believes is morally correct (i.e., marries the mother and takes a job to support the family), government policy takes the opposite course. Welfare benefits would be almost completely eliminated. If the young father makes more than \$4.50 per hour, the federal government actually begins taking away his income through taxes. The federal welfare reform act of 1988 will permit the young father to marry the mother and join the family to receive welfare, but only as long as he does not work.¹¹ Once he takes a

9 This sum equals the value of welfare benefits from different programs for the average mother on AFDC.

10 Technically the mother may be married to a husband who works part-time at very low wages and still be eligible for some aid under the AFDC-UP program. However, if the husband works a significant number of hours per month even at a low hourly rate, his earnings will be sufficient to eliminate the family's eligibility to AFDC-UP and most other welfare.

11 The 1988 federal welfare law required all states to establish an AFDC-UP program by October 1, 1990. Prior to passage of the 1988 welfare law, 23 states did not have an AFDC-UP program and those states were allowed to limit AFDC-UP cash benefits to six months, but were required to continue to provide Medicaid as long as the family was otherwise eligible for AFDC. The 1988 law allowed states to require full-time participation by one parent in Job Opportunities and Basic Skills (JOBS) program, while mandating that the states require one parent to spend at least 16 hours per week in work activity. States must enroll at least 40 percent of their AFDC-UP caseload in work programs by fiscal 1994 and up to 75 percent by fiscal 1997 and 1998. Both the

full-time job to support his family, the welfare benefits are quickly eliminated and the father's earnings are subject to taxation.

The onset of the War on Poverty directly coincided with the disintegration of the low-income family—and the black family in particular. At the outset of World War II, the black illegitimate birth rate was slightly less than 19 percent. Between 1955 and 1965 it rose slowly, from 22 percent in 1955 to 28 percent in 1965. Beginning in the late 1960s, however, the relatively slow growth in black illegitimate births skyrocketed—reaching 49 percent in 1975 and 65 percent in 1989. If current trends continue, the black illegitimate birth rate will reach 75 percent in ten years.¹²

Generous welfare benefits to single mothers directly contributed to the rise in illegitimate births. Recent research by Shelley Lundberg and Robert D. Plotnick of the University of Washington shows that an increase of roughly \$200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.¹³ Similarly, high benefits discourage single mothers from remarrying. Research by Dr. Robert Hutchens of Cornell University shows that a 10 percent increase in AFDC benefits in a state will cause a decrease in the marriage rate of all single mothers in the state by 8 percent. Welfare programs discourage young men and women from marrying and promote the disintegration of existing two-parent families.

Penalizing Work. For the poor, another devastating legacy of the past 25 years has been the dramatic reduction in work effort. For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not adversely affect work effort. Instead, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low-income persons reduced labor and earnings by \$0.80.¹⁴ The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work effect like those demonstrated in the SIME/DIME experiment.

The effects of welfare in undermining the work ethic are readily apparent. In the mid-1950s nearly one-third of poor households were headed by an adult who worked full time throughout the year. Today, with greater welfare benefits available, only 16.4 percent of poor families are headed by a full-time working adult.

requirement for AFDC-Up coverage and the work requirement end September 30, 1998.

12 U.S. Department of Health and Human Services, National Center for Health Statistics. Note: The black illegitimate birth rate is available only from 1969 on. The pre-1969 black illegitimate birth rates were calculated using the very similar "Non-White" rate.

13 Shelley Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, a revised version of a paper presented at the May 1990 Population Association of America Conference in Toronto, Canada.

14 Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

Inter-Generational Dependence. Of the over 4 million families currently receiving assistance through Aid to Families with Dependent Children (AFDC), well over half will remain dependent for over ten years, many for fifteen years or longer.¹⁵ Dependency on welfare also appears to spread from one generation to another. Children raised in families that receive welfare assistance are themselves three times more likely to be on welfare than other children when they become adults.¹⁶ This inter-generational dependency is a clear indication that the welfare system is failing in its goal to lift the poor from poverty to self-sufficiency.

Effects of Family Disintegration. The collapse of family structure has crippling effects on the health, emotional stability, educational achievements, and life prospects of low-income children. Children raised in single-parent families, when compared to those in intact families, are one-third more likely to exhibit behavioral problems such as hyperactivity, antisocial behavior, and anxiety. Children deprived of a two-parent home are two to three times more likely to need psychiatric care than those in two-parent families.¹⁷ And they are more likely to commit suicide as teenagers. Absence of a father increases the probability that a child will use drugs and engage in criminal activity.¹⁸

Because the father plays a key role in a child's cognitive development, children in single-parent families have lower IQs and score less well on other tests of aptitude and achievement.¹⁹ Children in single-parent families are three times as likely to fail and repeat a year in grade school as are children in two-parent families. In all respects, the differences between children raised in single-parent homes and those raised in intact homes are profound, and such differences persist even if single-parent homes are compared with two-parent homes of exactly the same income level and educational standing.²⁰

But the greatest tragedy is that family instability and its attendant problems are passed on to future generations. Children from single-parent homes are far less likely to establish a stable married life when they in turn become adults. White women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves; they are 111 percent more likely to have children as teenagers. If these women do marry, their marriages are 92 percent more likely to end in divorce than are the marriages of women raised in two-parent families. Similar trends are found among black women.²¹

GROPING FOR A SOLUTION

By nature, Americans believe that all problems have solutions. Therefore, American politicians and the public have difficulty believing that there are no easy solutions to the

15 David Elwood, *Targeting "Would-be" Long-term Recipients of AFDC* (Washington, D.C.: U.S. Department of Health and Human Services, January 1986), p. 5.

16 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York: City University of New York, Baruch College, March 1990).

17 Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data From the 1988 National Health Interview Survey on Child Health," paper presented at the Annual Meeting of the Population Association of America, Toronto, May 1990, Table 5.

18 Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990, p. 43.

19 Marybeth Shinn, "Father Absence and Children's Cognitive Development," *Psychological Bulletin*, Vol. 85, No. 2 (1978), pp. 295-324.

20 Dawson, *op. cit.*; Davidson, *op. cit.*

21 Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986), p. 31.

anti-marriage, anti-work incentives provided by the current welfare system. But no easy solutions exist.

In the current public debate there are a number of quick fixes to welfare which fall short of true reform—the most common of these is the current liberal drive to encourage work and reduce dependency by “making work pay.” Under these proposals, the key to welfare reform is to ensure that all single mothers will be financially better off in the job market than on welfare. While a step in the right direction, there are two problems with this idea. First, the average welfare mother receives around \$11,000 per year in welfare benefits plus Medicaid. Thus the mother must obtain a job with medical coverage paying more than \$11,000 per year (or \$5.50 per hour) in order to be even slightly better off with a job than on welfare. Second, even if every mother could be guaranteed of obtaining a job with medical coverage paying say \$7.00 per hour, the financial incentives for taking a job would remain slight. Example: if a mother gives up welfare benefits worth \$11,000 per year plus Medicaid and takes a full-time job with medical coverage paying \$14,000 per year (or \$7.00 per hour), she obtains an annual post-tax income increase of about \$2,500 in exchange for working 2,000 hours during the course of the year. This is an effective pay rate of \$1.25 per hour. The AFDC mother is expected to make a very large increase in labor for very little, if any, financial reward.

A similar recommendation is to reduce the disincentives to marriage by raising the earnings capacity of low-income fathers. While this would be another step in the right direction, it would not eliminate the anti-marriage effects of conventional welfare. Even if the earnings capacity of all low-income fathers were raised to the point where *every* working father could provide a standard of living for his family higher than the standard of living welfare provides to single mothers—low-income mothers and fathers would still be better off financially if they avoided marriage.

The economic logic of welfare is simple and cruel. If a mother and father do not marry, their joint income is the value of welfare benefits for the mother plus the father's earnings. If they do marry their joint income equals the father's earnings alone. Another way of expressing this dilemma is that the welfare system imposes an extraordinarily high marginal tax rate (i.e. income loss rate) on the act of marriage. If a man earning \$10,000 per year marries a mother on welfare their joint income (including the value of the welfare benefits) will fall by some 50 percent. If a man earning \$20,000 marries a mother on welfare, the couple's joint income will fall some 30 percent.

PRINCIPLES OF REAL REFORM

There is an emerging consensus on the need to change the welfare incentive structure. However, many current proposals fall short because they are limited to adding small new rewards for constructive behavior on top of the present welfare system while ignoring the huge rewards for idleness and single parenthood already embedded in that system. Serious welfare reform must not only provide new incentives for positive behavior, it must also reduce the huge rewards for destructive behavior that exist in the current system.

Welfare reformers have four basic tools available to restructure the welfare incentive system. The first two reduce the rewards provided for non-work and single parenthood, while the third and fourth increase the rewards for marriage and work. The four policy tools are:

- 1) **Reduce welfare benefits to non-working single mothers.** This is particularly important in states where the combined value of welfare benefits for the average AFDC family greatly exceeds the federal poverty income thresholds.

- 2) **Require able-bodied welfare recipients to work or perform community service** in exchange for benefits received.
- 3) **Increase the financial rewards available to low-income working families**, both married and single, relative to the rewards to non-working parents on welfare by providing tax relief to low-income working families.
- 4) **Increase the financial rewards available to low-income working families**, both married and single, relative to the rewards to non-working parents on welfare by providing tax credits and vouchers for medical insurance to working families who currently lack medical coverage.

Of these four tools for reforming the welfare incentive system, the work requirement is the most important. Under the current welfare system a non-working single mother receives an income from the government for free; if she becomes employed she must give up all or part of this free income. However, if the welfare recipient is required to work in exchange for benefits, a new cost is attached to welfare dependence and the attractiveness of welfare relative to employment is greatly reduced. Indeed, if the work requirement can be coupled with other government policies which ensure the family will be somewhat better off financially when the mother is employed than when the family is on welfare, then the anti-work incentives of welfare would be utterly eliminated. However, as long as the welfare recipient has the option of receiving a sizeable income from the government without work, then it will be impossible through other means to reduce significantly welfare's anti-work incentives.

Surprisingly, a work requirement also eliminates the anti-marriage incentives of the current welfare system. Under the current welfare system, when a single mother marries a fully employed male she loses most of her welfare benefits. Under a welfare system with a work requirement, a single mother still would lose her benefits upon marrying—but she would now be losing benefits which she had to earn rather than a free income, so the loss would be far less significant. As long as the mother could obtain a private sector job which paid roughly as much as welfare, then marriage would no longer impose a significant financial or personal cost on the mother or her prospective spouse. Indeed, if required to work for welfare benefits, some welfare mothers would prefer to marry and be supported by a husband's income rather than enter the labor force. By converting welfare from free income to income which must be earned, a work requirement eliminates most of welfare's anti-marriage incentives and would make marriage economically rational once again for millions of low-income parents.

While few states have attempted to establish serious work requirements for AFDC parents, those experimental programs which do exist indicate that work requirements can have a significant impact in reducing welfare dependency. As part of a workfare program operated on an experimental basis in six Ohio counties, AFDC mothers were required to perform community service for twenty hours per week. While only 25 percent of all AFDC mothers were required to participate, the work program reduced overall number of families on AFDC by some 12 percent. In other words, for every hundred mothers that were required to work in exchange for benefits, over forty mothers left welfare entirely.²²

22 Bradley R. Schiller and C. Nielsen Brasher, "The Effects of Saturation Workfare on AFDC Caseloads,"

While a serious work requirement will change the welfare incentive structure and reduce dependency, it is also vital for other reasons. Society should provide aid to those in need. But aid which is merely a one-way handout is harmful to both society and the recipient. Such aid undermines the individual's ability to take responsibility for his or her own life. If the habit of dependence becomes entrenched, it limits the individual's capability to become a fully functioning member of mainstream society.

Welfare is currently a check in the mail with no obligations. This is wrong. Instead, welfare should be based on reciprocal responsibility: Society will provide assistance, but able-bodied recipients will be expected to contribute back to society in exchange for the benefits they receive.

TOWARD COMPREHENSIVE WELFARE REFORM

What is needed is a comprehensive welfare reform strategy. Many elements of comprehensive reform can be implemented at the state level; however, state actions should be complemented by tax relief and an overhaul of the U.S. medical system at the federal level. Although tax policy and medical reform are formally outside the welfare system, reforms in these areas will have a significant impact on the opportunities and behavior of low-income families, and therefore are an important part on any welfare reform strategy.

Comprehensive welfare reform must strike a balance between two key themes. First, it must seek to increase the rewards for work and marriage among low-income families. Second, it must reduce the incentives currently provided by welfare for non-work and single parenthood. Reforms which fail to follow this balanced approach will be unsuccessful. Comprehensive reform would have seven parts:

1) Reduce Benefits. Welfare benefits for families on AFDC should be reduced. This is particularly true in states with high benefits levels. AFDC recipients are eligible for benefits from nearly one dozen major welfare programs. In all but five states, the combined value of benefits received by the average AFDC family exceeds the federal poverty income threshold. Moreover, there is considerable inequality in welfare benefit levels within each state. Because some families receive aid from many programs, they will have overall benefits much greater than other welfare families of the same size and characteristics within the state. Example: AFDC families that also receive housing aid will have overall benefits some \$4,000 to \$5,000 higher than other AFDC families within the state. In almost every state such families will have combined welfare benefits well above the poverty threshold. States should reduce AFDC payments to families that also receive housing aid.

2) Require Work in Return for Benefits. States should require some but not all welfare recipients to work in exchange for benefits received. Recipients of Food Stamps and General Assistance who are not elderly and not disabled and who are not directly caring for children should be required to perform community service for at least twenty hours per week.²³ Within

unpublished paper, November 1991.

- 23 Requiring someone to perform community service means that they would perform useful functions in government or in non-profit private sector organizations. Community service is also called "work experience." Many legislators argue that they would like to require welfare recipients to work in for-profit private sector jobs, but this expectation is unrealistic because few private sector employers are willing to employ persons who literally have to be forced to work. However, requiring the recipient to perform community service with a government organization removes the recipient's option of receiving welfare income without labor. The work requirement makes welfare less attractive relative to employment and will thereby induce many recipients to take real private sector jobs.

the AFDC program, mothers who do not have children under age five or who have received AFDC for over five years should be required to perform community service for at least 35 hours per week in exchange for benefits. In all two-parent families receiving AFDC, one parent would be required to work. For all programs the work requirement should be permanent, lasting as long as the individual or family receives benefits.

This policy specifically exempts most mothers with pre-school children from the work requirement. Because of the high costs of providing day care, work requirements for mothers with pre-school children would almost certainly increase rather than cut welfare costs. Moreover, great caution should be exercised toward any policy which separates young children from their mothers, as this will often have a significant negative effect on the child's development. Thus a well designed work program generally would not include mothers with young children; however, a second rule requiring work from mothers who have received AFDC payments for over five years, either continuously or in separate periods, is needed to discourage mothers from intentionally having added children in order to avoid their work obligation.

If a work requirement of the sort outlined here were established, roughly 50 percent of AFDC mothers would be required to work as a condition of receiving benefits. This would be an enormous improvement from the present situation; in the average state only 6 percent of AFDC mothers currently participate in job search, work, or training programs.

3) Require Responsible Behavior. States should require responsible behavior as a condition of receiving welfare benefits. This would include policies such as insisting that unmarried minor mothers reside with their parents or in some other adult supervised setting, and reducing payments to mothers who fail to provide their children with free immunizations. Most important, mothers who bear additional children while they are already receiving welfare should not receive an increase in welfare benefits.

4) Enforce Education Requirements. States should rigorously enforce the current federal law requiring all AFDC mothers under age eighteen who have not completed high school or passed a GED to attend school. To avoid the negative affects of separating infants from their mothers, however, mothers with infant children should not be required to participate more than twenty hours per week.

5) Experiment with Wedfare. More mothers leave AFDC through marriage than through employment. States should experiment with "wedfare" programs which provide bonuses to AFDC mothers who marry, leave AFDC and remain off the welfare rolls. However, since the real effects of wedfare programs are uncertain, any such program should be rigorously evaluated through controlled experiments.

6) Provide Tax Credits or Vouchers for Medical Coverage to All Working Families. The current welfare system which provides free medical coverage to single parents and non-working two-parent families on AFDC, but does not provide medical assistance to low income working families, discourages both work and marriage. The federal government could reduce the anti-work/anti-marriage effects of welfare by enacting the comprehensive medical reform proposed by The Heritage Foundation in *A National Health System for America*.²⁴ This plan would, among other reforms, provide federal tax credits and vouchers for the purchase of medical insurance to low-income working families not eligible for Medicaid. A proposal similar to the Heritage plan recently was introduced by President Bush.

24 Stuart M. Butler and Edmund F. Haislmaier, eds., *A National Health System for America* (Washington, D.C.: The Heritage Foundation, 1989).

7) Provide Tax Relief to All Families with Children. The federal government currently imposes heavy taxes on low-income working families with children. A family of four making \$20,000 a year currently pays \$3,780 in federal taxes.²⁵ This heavy taxation promotes welfare dependence by reducing the rewards of work and marriage relative to welfare. A crucial step in welfare reform is broad family tax relief along the lines proposed in The Heritage Foundation's *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy, and Balance the Budget*.²⁶ This plan would provide a \$1,000 tax credit for each school-age child in a family and a \$1,500 tax credit for each pre-school child; the tax credits could be used to reduce the family's income tax liability and both the employee and employer share of the Social Security payroll tax. The effect of this plan would be to eliminate all federal taxes on working families with children with incomes below 120 percent of the poverty threshold. The revenue loss of these tax credits would be offset by corresponding spending constraint through capping the growth of total federal domestic spending at 5 percent per annum. Thus the plan would not add to the federal deficit.

CONCLUSION

Any attempt to reform the current structure of public welfare must begin with a realization that most programs designed to alleviate "material" poverty lead to an increase in "behavioral" poverty. While the poor were supposed to be the beneficiaries of War on Poverty's transfer programs, they instead have become its victims. If policy makers fail to recognize or respond to this relationship, the welfare state will continue to worsen, rather than improve, the lives of America's poor.

The rule in welfare as in other government programs is simple: You get what you pay for. For over forty years the welfare system has been paying for non-work and single parenthood and has obtained dramatic increases in both. But welfare which discourages work and penalizes marriage is a system which ultimately harms its intended beneficiaries.

Comprehensive welfare reform must combine toughness and refusal to reward negative behavior with positive rewards for constructive behavior. Reforms which fail to include both sides of this equation will not succeed.

25 Figures are for 1991.

26 Scott A. Hodge, ed., *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget* (Washington, D.C.: The Heritage Foundation, 1992).

The Legacy of the 60's

Charles Murray

"**I**S PRESIDENT BUSH hinting that the Peace Corps destroyed the moral fiber of poor people?" asked Albert Shanker, the president of the American Federation of Teachers, responding to the claim by the White House spokesman, Marlin Fitzwater, that the failed social programs of the 1960's were responsible for the Los Angeles riot. For Senator Daniel Patrick Moynihan, Attorney General William Barr's assertion that the Great Society caused the breakdown of family structure was "one of the most depraved statements I have ever heard from an American official." Even Republican campaign strategists were having none of the administration line, the *New York Times* reported. "Next," one of them was quoted as saying, "Marlin [Fitzwater] will blame the savings-and-loan crisis on Woodrow Wilson."

Speaking of blame, I must take a share of it for the ridicule heaped on the administration, for in 1984 I published a book called *Losing Ground* which concluded that the reforms of social policy in the 60's directly made things worse for the American poor. And, ineptly as the administration went about pressing its point, I agree with Fitzwater's more ambitious thesis. **The conditions in South-Central Los Angeles in 1992 that produced the riot are importantly a product of those reforms of a quarter-century ago.**

I

LET me begin by briefly restating the core argument, because it has been roughly handled. Albert Shanker is right that the Peace Corps did not destroy the moral fiber of poor people; nor, for that matter, did the Voting Rights Act of 1965 or Lady Bird Johnson's highway-beautification project. The fault does not lie in every single thing that Lyndon Johnson did, nor does it even lie primarily in "social programs." In fact, if the discussion is limited to the elderly, the picture after the 60's is positive.

The point, rather, is that, beginning in the early 60's, drastically intensifying during the John-

son administration, but also persisting through the Nixon administration, American social policy toward poor and disadvantaged youths underwent a transformation in three large domains: welfare, education, and criminal justice. These domains were transformed because the assumptions behind social policy were transformed among the elites who define the received wisdom in any given era.

The new wisdom had many elements, but the most fundamental and pervasive was the **shift away from a belief in America as the Land of Opportunity, with the best and fairest system in the world, benign and self-correcting, toward an assumption that the American system is deeply flawed and is responsible for the plight of the disadvantaged.** Poverty, it was concluded, is caused by structural features of capitalism. If a student misbehaves in school or a young man snatches a purse or a young woman has a baby without a husband, these are expressions of or responses to social conditions beyond their control. **Value judgments themselves are inappropriate.** Having a baby without a husband is a choice, not a sin or even necessarily a mistake. It is society that must change, not individuals; the rich must see the errors of their ways, not the poor, the errors of theirs. To hold people accountable for their behavior is unjust—blaming the victim. Root causes must be corrected.

These views permeated every reform that affected poor people, and especially poor black young people, and there were hundreds of such reforms. They consisted not only of new laws and offices and bureaus and programs, but also of dozens of landmark court decisions, sweeping executive actions, and obscure changes in regulatory and administrative practice that sometimes had wide repercussions.

Boiled down to their simplest terms, the effects of these reforms were as follows. **In 1960, it was extremely punishing, financially and socially, to have a baby without a husband.** The reforms made that behavior less punishing on both counts. In 1960, the odds of being caught and going to jail if you committed several crimes were high. The reforms lowered the odds both of getting caught and of going to jail. In 1960, public education meant being obliged to comply with a variety of

CHARLES MURRAY is the Bradley Fellow at the American Enterprise Institute in Washington, D.C. His most recent book is *In Pursuit*.

expectations, ranging from actually attending every class, every day, to actually passing examinations. The reforms gutted those requirements.

But the effects of the reforms transcended mechanical changes in odds and probabilities in a few discrete areas. These effects interacted. A young man's posture toward low-paying jobs is affected when the pressure on him to support his child eases; his interest in studying hard is affected by the increasing attractions of the hustles he sees on the street. A young woman, watching a boyfriend who cannot hold a job, is less likely to demand that he marry her and more likely to go on welfare. That she can now live with a boyfriend without losing her welfare payments alters a wide range of considerations for both of them.

SUCH interactions in turn form numerous feedback loops and, among other things, tear apart the web of status rewards and penalties that govern behavior in any community. That a high school does not contain just one girl who is pregnant but many erodes the stigma associated with being single and pregnant, and can even turn it into the fashionable thing to do. Holding a low-paying job is something that is admired in a community that depends on precisely such behavior to survive; as the community stops having to depend on that behavior, the praise turns to scorn for working for chump change. Trying hard in school becomes a derisively white thing to do when everyone is supposed to be a victim and oppression is a convenient excuse for failure.

I am not talking of stick-figure caricatures who use calculators to determine the purchasing power of a welfare check, but adolescents trying to make sense of the world around them, responding to short-term pushes and pulls as do adolescents everywhere, and in the process setting in motion complex forces with resonating, mutually reinforcing consequences. The reform period of the 60's fundamentally changed what makes sense to poor black adolescents in the short term.

During this period, a variety of trend-lines for measuring the status of working-age blacks began to take a turn for the worse. Illegitimacy among blacks had been rising slowly; in the mid-60's, the slope of the trend-line suddenly steepened. Homicide among blacks had declined during the 50's. In the mid-60's, it shot up, along with black arrest rates for violent crime. Black marriage rates and male labor-force participation both plummeted, after a history of remaining near or above white norms.

Those without access to the statistics could see for themselves that life was deteriorating; they could see it around them in the abandoned buildings, the youths hanging out on the streets, and the destruction of the well-ordered black work-

ing-class neighborhoods that had once dotted inner cities.

That many trend-lines of social functioning took a turn for the worse during the 60's is not subject to much dispute. The main source of argument has been about causes. After all, many other things were going on during the 60's besides changes in government policy. Could not these other factors be to blame? And did not the other trends—the reduction in poverty, for example—tell a brighter story?

The argument has been long and complicated, for the excellent reason that the topic is authentically complex. Trying to tease out the causes of rising illegitimacy and crime is tough; so is trying to decide why the poverty rate went down throughout the 60's and stopped going down during the 70's. But in the aftermath of the L.A. riot, this debate is beside the point. If the reforms of the 60's were never to blame for the rise of the underclass in the 70's, then they surely are not to blame for its entrenchment in the 80's. But if they were to blame, then the question becomes: are they still?

The post-L.A. received wisdom seems to have three components. First, since the Republicans have been in power for twelve years, current social policy is their social policy. Second, the plight of black America got worse in the 80's. Third, we know by this time that some programs worked, with Head Start and Job Corps heading the list, so it is time to hitch up our pants and start doing the things that we know how to do.

All three of these contentions are wrong—with qualifications, of course, but still wrong.

II

FOR most of affluent America, the social policies of the 60's are over and done with. Most of these people have long since sent their children to private schools or moved to suburbs where the public schools are run as the parents wish. Most live in communities where the cops roust suspicious people, the Supreme Court be damned, and crime is low; or they live in urban enclaves where (within the enclave) crime is low. As for the rules about welfare and food stamps and social services, these never affected the affluent.

Within the inner city, however, especially among the poor, and most especially among the black poor, the 60's remain in full flower. An adolescent on the streets of an inner city as of 1992 lives in a governmental and policy environment only marginally different from the one that had evolved by the early 70's.

The schools work much as they did then. The reforms of the 60's saw an elaborate social agenda laid on the schools, the imposition of restrictions on how schools could deal with problem students (and, indirectly, how effectively they could edu-

cate gifted students), and layers of bureaucracy and books of rules that went along with vastly expanded federal assistance.

Suburban schools jettisoned much of this nonsense in the 80's. But the reforms of the 60's dovetailed nicely with the propensity of big-city school bureaucracies to become ever more immobile, for the teachers' unions to hedge their responsibilities ever more restrictively, and for big-city pressure groups to use the schools as a political football. A few cities such as Chicago are making desperate attempts to break out of this bind, but with little success. Whatever was wrong with the training and the social signals being given by the educational system to an inner-city adolescent in the early 70's is still wrong today, and the reforms of the 60's still bear important responsibility for that.

Welfare remains more generous than it was during the heyday of the 60's reforms. I know this conflicts with the endlessly repeated claim that the purchasing power of welfare benefits has fallen so much that we are back to the levels of the 50's. But this argument is always expressed in terms of the purchasing power of the Aid to Families with Dependent Children (AFDC) benefits. If instead one includes all the major elements in the welfare package—adding in food stamps, Medicaid, and housing subsidies—then benefits increased rapidly during the decade from 1965 to 1974, retreated modestly in real value throughout the rest of the 70's, and rose during the 80's.

Being more precise involves getting into the question of how Medicaid and housing benefits are to be valued. But throughout the range of the accepted methods, it remains true that the value of the welfare package in 1992 is higher than it was when Ronald Reagan took office, and that it is at the level of the early 70's, just below the peak. Furthermore, these statements are based on calculations that do not include Women, Infants, and Children (WIC) benefits, school-lunch programs, and the many special funds and services for welfare recipients that are part of the package in most major cities.

In short, the assertion that the situation facing a potential welfare mother in 1992 is significantly different from the situation that has faced her ever since the end of the 60's reforms is simply wrong. The key point about welfare is this: in 1960, it was so meager that only a small set of young women at the very bottom layer of society could think it was "enough" to enable a woman to keep a baby without a husband. By 1970, it was "enough," both in the resources it provided and in the easier terms under which it could be obtained, to enable a broad stratum of low-income women to keep a baby without a husband. That remains true today.

The changes during the Reagan years consisted of the amendments to the Omnibus Budget Reconciliation Act (OBRA) in 1981, which tightened the eligibility rules for receiving AFDC payments,

and the welfare reform bill of 1988. The OBRA amendments represented a significant change, moving away from the assumptions of the 60's, and it produced a reduction in the welfare rolls. Had there been another half-dozen reforms with the same weight and vector, the Reagan administration could properly claim to have had its own welfare policy. But the OBRA amendments were an isolated exception, and their effects were limited to potential recipients who possessed substantial independent income—not the heart of the welfare problem.

The only other significant change in the welfare system, in 1988, went in the opposite direction. The rhetoric was new, reflecting the principle that society expects welfare recipients to work. But the work and training aspects of the bill were deferred and indefinite. The immediate effect was to expand benefits by granting AFDC women a year of Medicaid coverage and child-care benefits after leaving the rolls. As in the reforms of the 60's, the intent was to give women on welfare an incentive to get jobs, but, again as in the reforms of the 60's, the legislation ignored the effects on women who were not on welfare.

Since 1988, the AFDC rolls have broken out of the narrow range within which they had been moving for a decade and have been climbing steadily. Some blame it on the recession, even though welfare rolls have not previously tracked with unemployment. It seems more likely that we are observing the replay of an old phenomenon: whenever Congress has legislated a new incentive for women to leave welfare, the unintended downward pull into the welfare system has outweighed the intended upward push out.

WITH regard to crime, the situation in the 90's compared to the 60's is mixed. The 60's gave the nation a fundamentally new stance toward law enforcement and punishment. The number of prisoners dropped during the 60's—not just prisoners in proportion to arrests, but the raw number. Meanwhile, the Supreme Court was handing down the decisions—*Miranda*, *Mapp*, and the rest of the usual suspects—that are notorious for restricting the police. The administration of justice during the 60's became more haphazard, with wider use of plea bargains, longer delays between arrest and trial, trial and sentencing, sentencing and execution of judgment, along with other changes that reduced the swiftness and certainty of punishment for crime. It also happened that crime increased by an astonishing amount during the 60's.

What is different today? Yes, everyone now favors law and order, including the Supreme Court. But the major decisions of the 60's have been narrowed only at the margins, not reversed. The rules of the game remain essentially the same as they were at the end of the reform period. If you get picked up today for a felony in a big city,

chances are you will be back on the street tomorrow, even if you have a prior record. If your case is pursued at all (many are not), chances are you will be able to plea-bargain it down to a much lesser charge. Unless you have a long prior record, chances are you will do no jail time. All of these procedures will probably take months to transpire.

In one respect, policy has unquestionably changed. The prison population more than doubled during the 80's, indicating that the risks of going to prison if caught were raised. To that extent, those who say that the Republicans established their own policy and are accountable for it have a point. There are, however, three bottom lines in the crime game. The first is your chance of being punished if you get caught, and that has indeed gone up. But the second is the chance of getting caught at all, and that has either remained steady since the end of the reform period or dropped. The third is opportunities to make money from crime, and this has remained at least constant and, in the drug trade, expanded.

It is unclear how these conflicting trends might balance out in the eyes of an adolescent standing on a streetcorner contemplating whether to get involved in a hustle. It is certainly a mistake to think that the law-and-order years of the Republicans have made a major difference in that adolescent's perception of how the criminal-justice system works. The system of 1992 is still essentially the system that was shaped by the reform period.

None of this discussion is intended to imply that we could return to the pre-reform levels of crime or illegitimacy if we repealed a few laws and reversed a few Supreme Court decisions. On the contrary, the social dynamics of the inner city have taken on a life of their own, and I think it is unlikely that anything short of radical changes will produce much of an effect on the behaviors associated with the underclass. But if the question is how the social policy of the 60's can be responsible for the problems of the 90's, the answer is straightforward: the reform period set those dynamics in motion and, with minor exceptions, the policies it produced are still in effect.

III

THE next question is whether the 80's saw blacks lose ground, thereby producing the "rage and frustration" that are said to have caused the Los Angeles riot. Unquestionably, some things did get worse, principally antagonism between the races. But racial hostility is one thing; the facts regarding black progress and regression during the 80's are another. (All the data that follow may be found in the basic statistical compendia of the Bureau of the Census, the National Center for Health Statistics, and the Departments of Labor and Education.)

Median Family Income

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK (1990 \$)	14,262	21,151	20,103	21,423
BLACK-WHITE DIFFERENCE	-11,502	-13,329	-14,639	-15,492

After all the talk of shredded safety nets and the rich-getting-richer during the greedy Reagan years is done, it remains true that real black family income fell by about \$1,000 during the 70's and rose by about \$1,300 during the 80's. There are less rosy sides to this picture, however. For example, the median income of black full-time, year-round workers rose for women during the 80's but continued to fall for men, as it has since the mid-70's. But overall, the 80's were better for blacks economically than the 70's. The 80's were even better regarding income disparity: the dollar gap with whites grew during the 80's, but the 70's were even worse.

Official Poverty Rate

	<u>1959</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK PERCENTAGE	55.1	33.5	32.5	31.9
BLACK-WHITE DIFFERENCE	37.0	23.6	22.3	21.2

But what about the poor? No, the percentage of black poor did not increase under Reagan; it fell, and by more is than indicated in these numbers—from 34.2 percent in the year he came to office to 30.7 percent in the year he left. It should be added that the official poverty measure is pitted with all sorts of problems, especially its failure to take noncash income and unreported income into account. These two factors would make both the 70's and 80's look better in comparison with changes in the 60's. In any case, comparing decades: after a plunging poverty rate in the 60's, the 70's saw a small decrease in black poverty and a small decrease in the gap with whites; this experience was continued in the 80's. The differences between the two decades are fractions of a percentage point.

Percentage of employed blacks working in white-collar occupations

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK PERCENTAGE	16.1	27.9	39.2	43.6
BLACK-WHITE DIFFERENCE	-30.5	-22.9	-14.7	-14.5

This figure has been going up since the 50's. The proportion of blacks working in white-collar jobs grew by much more in the 70's than in the 80's. The gap with whites also closed substantially during the 70's, then held steady during the 80's. The 70's were clearly better for blacks on this measure.

Enrollment in school for children ages 14-17

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK				
PERCENTAGE	86.8	91.9	94.2	95.4
BLACK-WHITE				
DIFFERENCE	-4.0	-2.6	1.0	-0.8

Turning to education, we first look at enrollment in secondary school. Enrollment in high school is a nearly unique example of an indicator in which black children have achieved parity with white children. Black enrollment increased in both the 70's and 80's, but somewhat more in the 70's. In addition, the proportion of high-school dropouts dropped even more during the 70's than during the 80's. The 70's were better for blacks.

Enrollment in school for young adults ages 20-24

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK				
PERCENTAGE	7.5	14.2	17.7	23.7
BLACK-WHITE				
DIFFERENCE	-6.4	-8.3	-5.0	-6.2

This indicator primarily captures attendance at college and graduate school, and the results seem to contradict headlines which have told of declining college enrollment by blacks. There have indeed been problem areas, especially involving black dropout rates and enrollment in graduate schools, but overall the 80's were a good decade for blacks going to college. For example, the percentage of black high-school graduates who went to college the following fall rose substantially, from 41.9 percent to 52.8 percent during the 80's (comparable data for 1960 and 1970 are not available). The 80's were a bit better for blacks.

Male Victimization by Homicide

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1988</u>
BLACK RATE				
PER 100,000	34.5	67.6	66.6	58.0
BLACK-WHITE				
DIFFERENCE	30.9	60.8	55.7	50.1

Crime is an area where it is difficult to know what to make of the data. One of the most solid

crime statistics is the number of homicides, and it shows that homicide victimization among blacks dropped in the 80's and the gap with whites closed modestly. Victimization rates for crimes also show reductions across all types of crime, consistent with this result. On the other hand, arrests of blacks rose during the 80's after remaining flat during the 70's, and the public perception that crime has gotten worse seems universal. Let us consider the crime question a puzzle yet to be resolved, leaving open the possibility that more progress was made in the 80's than is generally thought.

Infant Mortality (deaths per 1,000 live births)

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1989</u>
BLACK				
PERCENTAGE	44.3	32.6	21.4	17.1
BLACK-WHITE				
DIFFERENCE	21.4	14.8	10.4	8.9

Turning now to health, the first indicator is the widely-cited infant-mortality rate. The black differential with whites continues to be very great, as it has been since statistics have been kept. Blacks achieved large reductions in infant mortality in both the 60's and 70's, with slower gains in the 80's. The gap also continued to narrow, but more slowly than in previous decades. In other words, the story is one of continued progress, not backsliding, but the 70's were definitely better for blacks.

Life Expectancy

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1989</u>
BLACK, IN				
YEARS	63.6	64.1	68.1	69.7
BLACK-WHITE				
DIFFERENCE	-7.0	-7.6	-6.3	-6.2

Black life expectancy has grown during each of the last three decades. The black-white gap, which widened during the 60's, narrowed in the 70's and held steady in the 80's. Life expectancy has been flat for blacks since 1984 for both males and females, however, and actually fell during a few of those years. The 70's were much better for blacks on this one.

Illegitimacy Ratio (births to single women as a proportion of live births)

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1989</u>
BLACK				
PERCENTAGE	21.6	37.6	55.2	65.7
BLACK-WHITE				
DIFFERENCE	19.3	31.9	44.2	46.5

We now come to the underlying problem that drives so many of the other problems among the underclass, children growing up without fathers and women trying to get along without a husband. Beginning with the illegitimacy ratio, the proportion of babies born to single women rose much more in the 70's than in the 80's, and so did the size of the gap. On the other hand, things continued to get considerably worse during the 80's. The 80's were better for blacks, but only by comparison.

**Illegitimate babies produced annually
per 1,000 women ages 15-44**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1989</u>
BABIES PER 1,000 BLACK WOMEN	33.1	43.4	48.7	56.4
BLACK-WHITE DIFFERENCE	30.5	38.6	41.6	43.7

It is not just the illegitimacy ratio that has been increasing, but the production of illegitimate babies as well, most markedly during the last half of the 60's. The 80's saw continued increases, along with a gap that continued to widen, though slightly less than during the 70's. There is not much to choose between the two decades. The only bright spot, if it may be called that, is that the proportion of families headed by a single female grew slowly during the 80's, by only two percentage points, compared to the steep rise from 21.8 to 29.1 percent of black families during the 70's.

**Unemployment among young-black
males ages 16-24**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK PERCENTAGE	17.3	17.4	28.4	24.2
BLACK-WHITE DIFFERENCE	6.7	7.2	15.4	14.3

The problems of the underclass are also rooted in the behavior of young males regarding the labor force. Unemployment rates fluctuate from year to year. The secular trend was rising unemployment for black male youths throughout the 70's and into the early 80's, hitting a high of 36.9 percent in 1982. The net drop since then has been large, even after the rise during the current recession. The 80's were unquestionably better for blacks in this regard. But we are left with a situation in which, even during the best years of the 80's, black youth unemployment remained well above the levels of the 60's.

**Labor force participation (LFP) among
young black males ages 16-24**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
BLACK PERCENTAGE	74.1	64.5	62.0	59.1
BLACK-WHITE DIFFERENCE	+2.8	-5.7	-14.7	-15.3

LFP is a more stable indicator than unemployment and a good indicator of basic stance toward the labor force. The absolute rate fell by roughly the same amounts in both decades (fractionally less during the 80's). The gap between blacks and whites widened dramatically during the 70's, continuing a trend that had begun in the mid-60's, then remained nearly steady in the 80's. The 80's were again better for blacks, relatively speaking. But the troubling reality is that a large proportion of young black males of prime working age are not even available for work. Nor is this picture less troubling when educational enrollment is taken into account. Among black males ages 16-24 with no more than a high-school education, who are *not* in school, roughly 30 percent are not in the labor force.

WHAT is one to make of this heterogeneous set of indicators and results? Partisans of both sides will seize upon the indicators that suit them, but the pattern is probably susceptible to a few generalizations. One is that black status improved in both the 70's and 80's on things that primarily reflect external conditions or behaviors by the black middle class. Infant mortality drops as medical technology improves; black enrollment in college expands with financial help and affirmative action; white-collar employment grows among blacks who have taken advantage of educational opportunities.

The second general comment is that the deterioration in black status is concentrated in the mainsprings of the underclass: dropout from the labor force among young males and births to single young women, both of which continued to grow in the 80's, though more slowly than in the 70's. As long as these behaviors continue, the plight of the black inner city will deepen.

The final general comment is that the 80's come out of the comparison much better than the day-to-day media accounts would lead one to expect. People who want to indict the 80's as a decade of neglect must find other data. I am unaware of any major surprises that lurk in such other measures, but perhaps they exist. If anyone finds them, I suggest only that the presenter follow the procedure used here: show the figures for 1960 and 1970 along with those for 1980 and 1990, and focus on indicators that represent how

people's lives have changed, not how government spending has changed.

IV

SO FAR as government spending goes, there is now almost a mantra: "We know Head Start works. We know Job Corps works." Other programs sometimes make the list, but these are the stars. Commentary on the problems of the black inner city also has recently begun to assume that certain solutions will work, if only we do the obvious thing and try them.

Thus one often reads op-ed columns in which it is assumed that of course black teenage girls would have fewer babies if only they had access to better sex education, or that of course the unemployment rate among teenage black males would go down if only jobs were made available. This self-assurance is invincibly ignorant of history. The effects of such programs have been assessed, we have a rich and reasonably consistent body of results, and those results are not encouraging.

Head Start is a striking example. Let me begin by saying that I think a good preschool is generally a good thing for the same reason that kindergarten is a good thing, and I am in favor of providing good preschools for disadvantaged children. Head Start, however, is not being discussed just as a nice thing to do for children, but as an example of how we can make progress in the inner city.

The reality is that no program of the 60's has been more often evaluated, more thoroughly, than Head Start—a synthesis published in 1983 annotated 1,500 studies.¹ This work has produced a few broad conclusions. One is that Head Start programs, properly implemented, can enhance some aspects of social development and school performance. But these effects are spotty, and when they occur they fade, disappearing altogether after about three years. All in all, Head Start is not exactly a failure (it is still a nice thing to do for kids), but neither is there any reason to believe that anything will change in the inner city if only Congress fully funds Head Start.

But surely we know that Head Start reduces delinquency and unemployment and pregnancies in later life? No. We have a handful of experimental programs that have made such claims with varying degrees of evidence to back them up, but none of them bears much resemblance to Head Start.

By far the best known of these is the Perry Preschool Program from Ypsilanti, Michigan, which had 58 youngsters and a control group of 65. (Let us pause for a moment and consider what would happen to someone who tried to claim that an intervention strategy did *not* work on the basis of one program with 58 youngsters.) Perry Preschool had four teachers each year, and in any one year these four teachers together were deal-

ing with no more than a total of 24 children—a 1:6 ratio. The teachers were hand-picked, highly trained and motivated. They received further extensive training in the special curriculum adopted for the program. In addition to the daily preschool time, the program included an hour-and-a-half home visit to each mother each week.

The first salient point is thus that Perry Preschool was a handcrafted little jewel that the federal government cannot conceivably replicate nationwide—not because there is not enough money (though that is part of it), but because of the nature of large programs. Bureaucracies give you Head Starts, not Perry Preschools.

The other salient point has to do with outcomes. Perry Preschool is the chief source of the claim that preschool intervention can reduce high-school dropout, unemployment, delinquency, and pregnancies. Yet when the program's 58 children were assessed at age nineteen, 33 percent had dropped out of high school, 41 percent were unemployed, 31 percent had been arrested, and the 25 girls had experienced 17 pregnancies.² All of these numbers were evidence of success because the rates for the control group were even worse, but it is not the sort of success that the advocates of Head Start can afford to describe explicitly.

LIKE Head Start, the Job Corps has been evaluated many times over the years. When the results have been aggregated over all centers, they have usually shown modest gains in average earnings—a matter of a few hundred dollars per year.³ When evaluators examine individual centers, anecdotal evidence indicates that some are more effective than others. The best ones have a demanding work load, strict rules of behavior, and strict enforcement (which means that many of the entrants never finish the course).

In other words, the Job Corps works for young people who are able to get up every morning, stick with a task, accept a subordinate relationship, and work hard. These people also tend to do well without the Job Corps. Not even the best of the Job Corps centers has a good track record with young people who cannot make themselves get up every morning, who get discouraged easily, get mad when someone tells them what to do, and take a nap when no one is watching. But the latter are among the characteristics of the chronically unemployed.

¹ *A Review of Head Start Since 1970*, by R. Hubbell, U.S. Department of Health and Human Services (1983).

² *Changed Lives: The Effects of the Perry Preschool Program on Youths Through Age 19*, by John R. Berrueta-Clement *et al.*, High/Scope Educational Research Foundation, pp. 2, 69.

³ "The Short-Term Economic Impact of the Job Corps Program," by Charles Mallar *et al.*, in *Evaluation Studies Review Annual*, Ernst Stromsdorfer and G. Farkas, eds., Sage Publications (1980), pp. 332-59.

We have a great deal of experience with job programs that try to deal with the chronically unemployed and the inner-city youth who has never held a job. After twelve years in which social programs have been unpopular, it is easy to forget how massive those job programs were. At their height in the late 70's, the programs under the Comprehensive Employment and Training Act (CETA) had nearly four million first-time entrants in a single year and an annual budget equivalent to \$19 billion in 1990 dollars. The evaluations of CETA came in, and the consensus conclusion was that it had some positive impact on women, but not on men.⁴ This is consistent with findings from other, small-scale demonstration projects such as those conducted by the Manpower Demonstration Research Corporation and early results from the evaluation of the Job Training Partnership Act.

Unfortunately, the failure to affect males is decisive, for a core problem in the inner city is that males are not assuming their role in the community as husbands, fathers, and providers. If job programs are to be the answer for the 90's, what is it that we propose to do differently this time around?

More generally, attempts to solve the problems of the inner city have a consistent record. The failures vastly outnumber the successes. The claimed successes tend to evaporate when an independent evaluator assesses them. The handful of successes that survive scrutiny are local, small-scale, initiated and run by dedicated people, and operated idiosyncratically and pragmatically—all the things that large-scale federal programs inherently cannot be. Nor, as the government has found after many attempts, can the successes be franchised like a McDonald's, for the idiosyncratic capabilities of the founders turn out to be crucial to the success of the original.

Ever since the conclusion that "nothing works" was advanced in the 80's, the advocates of new programs have tried to show why it is an exaggeration. They have been able to do so, insofar as some problems (such as poverty among the elderly) can be cured by writing enough checks, a task at which the federal government excels. But when it comes to programs that will change the behavior of adolescents and young adults, the record of federal social programs (and most state and municipal social programs) remains dismal. The resurgence of optimism about social programs represents a mismatch between the actual nature of the underclass and the way people want it to be, and a mismatch between the actual way

that large-scale programs are implemented and the way each new generation of reformers thinks it can implement them.

V

THESE observations are out of season. It is a time for lighting candles. But there is a case to be made for cursing the darkness. South-Central Los Angeles and inner cities throughout America did not need to evolve the way they have done. Until the last few decades, poor communities throughout American history had been able to function as communities, despite objective deprivation and oppression far greater than any community faces in 1992. Then, in the space of a few years, just as we were finally lifting the objective elements of deprivation and oppression, we inadvertently undercut the pilings on which communities rest.

It turns out that communities survive by socializing their young to certain norms of behavior. They achieve that socialization with the help of realities to which parents can point—you have to work, or you won't eat; if you don't have a husband, you won't be able to take care of your children; if you commit crimes, you will go to jail. From this raw material, communities fashion the gentler rewards and penalties of social life that constrain unwanted behaviors and foster desired ones. Outside the inner city, we are busily reconstructing the damage done to the social fabric during the reform period of the 60's, with considerable success. Inside the inner city, that fabric has become so tattered that it is difficult to see any external means of restoration.

I will therefore refrain from concluding with my own ten-point plan. All we can be sure of is that authentic solutions will be radical ones. There are essentially two alternatives. One is authoritarian, treating the inner city as occupied territory and its citizens as wards to be tutored and manipulated by the wise hand of the state. The other, and in my view the only choice that American democracy can live with, is to take seriously the old aphorism that the only way to make a man trustworthy is to trust him. The only way that inner-city communities will again begin to function as communities is if the individuals within them are again permitted and required to engage in that most Jeffersonian of enterprises, self-governance.

⁴ The best longitudinal studies, commissioned by the Department of Labor, are gathered in *Evaluation Review* (11), No. 4, August 1987.

THE REAL CHOICES ON 'FAMILY VALUES'

Family values are a real problem in this country, but the Bush Administration is mishandling the issue. President Bush and Vice President Dan Quayle are using the issue to stigmatize. Instead, they should be using it to exhort.

Growing numbers of Americans do not live in traditional, intact families. Bush and Quayle seem to be saying that people who choose to do so are morally unfit. That polarizes the country and trivializes the issue. It also makes the Administration appear out of touch with reality.

A more compelling case for family values can be made in terms of human welfare. Family breakdown has enormous costs: economic and social costs for the country, impaired life prospects for parents and serious risks to children's well-being—indeed, to their very lives. A growing body of evidence reveals how high those costs have become.

Two scholars at the American Enterprise Institute for Public Policy Research, working independently, have documented the magnitude of the problem and the severity of the consequences. Nicholas N. Eberstadt reports that the number of births to unmarried mothers has risen by an average of 5 per cent a year since 1960. By 1988, over a fourth of all births in the United States were to unmarried women.

The problem is social, not racial. Out-of-wedlock births have risen at about the same rate for whites and blacks. A fourth of the children born to white women in their early 20s are out-of-wedlock.

According to Douglas J. Besharov, the number of female-headed families with children in this country has almost tripled over the past 25 years. In 1950, just 15 per cent of all teenage mothers were unmarried at the time of their first birth. In 1988, 65 per cent were unmarried.

That is a revolutionary change in the American life-style. And its consequences have been devastating.

Besharov's research shows that family breakdown causes poverty, and not the reverse. In 1990, the median family income for two-parent families with children was \$39,076. That is about three times the level for female-headed families (\$12,005). Moreover, the data show a big income difference between families with children living with divorced mothers (\$15,762) and families with children living with never-married mothers (\$8,337). These income differences by marital status are much larger than income differences by race.

The number of never-married mothers is rising rapidly, and that is where the poverty problem is concentrated. Never-married mothers tend to be much younger than married mothers. Only about a third work full-time or part-time (compared with three-fourths of divorced mothers). Unmarried mothers are much likelier to be on welfare—and to stay on welfare for 10 years or more.

For both blacks and whites, Besharov writes, "an out-of-wedlock birth to a young mother is a direct path to long-term poverty and welfare dependency." He calls it "a new form of poverty"

brought about by "a major change in the behavior of American parents."

It can be argued that the poverty of single mothers only proves the inadequacy of the U.S. welfare system. The government forces single mothers to live in poverty because it refuses to train or educate them or to give their children adequate child care. Not only that, the welfare system gives fathers perverse incentives to abandon their children so that their mothers can go on welfare.

According to Eberstadt, however, marital status also has a profound effect on infant mortality. Unmarried mothers are much likelier than married mothers to have low-birth-weight babies who do not survive. The effect holds for both races and at all levels of income. It cannot be explained by the welfare system.

It is not racial. Low-birth-weight babies are more common among unmarried white teenage mothers than among married black teenage mothers.

It is not socioeconomic. The infant mortality rate for unmarried women with college educations is higher than the infant mortality rate for married women who never went to high school. State-by-state differences in infant mortality

rates correspond to differences in illegitimacy rates, not to differences in income. That is true even for black Americans.

The effect appears to be behavioral. Eberstadt asks, "Why in particular should the health of infants and children in single-parent homes be worse than race, age, education or income would seem to predict?" The crucial factor, he argues, is "the attitude of the single parent toward the care and treatment of offspring."

According to Eberstadt, America's high rate of infant mortality cannot be explained by differences in poverty or access to medical care. He attributes it to "the life-style or behavior patterns that are part of the American mode of illegitimacy."

Though other countries, such as Sweden, have high rates of illegitimate births, the United States has the highest proportion of single-parent households. Other countries have more consensual unions or cohabitation. America has more single mothers living on their own.

Those are choices. And it is reasonable to argue that government should discourage those choices. The question is how to do that.

Welfare reform is part of the answer. So is better sex education, including a responsible approach to abortion. Sex education is one area where the United States compares poorly with other advanced countries. And it pays a price for it.

The Administration's answer is to attack "liberal media elites" for glorifying single parenthood. Liberals glorify, conservatives stigmatize. Those are the choices?

Over the past 15 years, middle-class alcohol and drug use has declined in this country. It was not because substance abuse was stigmatized. It was because people became better informed about the consequences and were able to make more-rational choices. Politicians should take heed.

The answer to the problem of unmarried mothers is not to stigmatize but to encourage more-rational choices.

EDITORIALS



of THE TIMES

Getting Beyond Welfare and Poverty

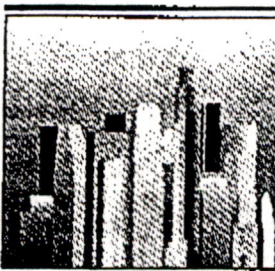
As Los Angeles recovers from the worse urban riots in modern American history, President Bush's task force and Gov. Pete Wilson's revitalization experts have teamed up to announce an ambitious and welcome job-training program. The \$3.4-million program will target 500 poor residents of the Nickerson Gardens public housing project in Watts. They will be guaranteed vocational training and a chance to replace their welfare checks with paychecks.

Trainees who meet minimal educational standards will spend two to four months at selected vocational schools that specialize in computer skills, health services and security services. The U.S. Department of Housing and Urban Development and the Department of Health and Human Services will pay for the training.

While they train, their children will attend day care paid for by Los Angeles County through GAIN, the state workfare program. Providing

child care will lift a common barrier to employment for poor parents.

When they finish, the trainees will get help from the vocational schools in finding a job. The schools won't guarantee jobs, but the training insti-



WHAT
NEXT
FOR
LOS
ANGELES?

■ One in a
series

tutes claim a 90% placement record for other trainees. Fortunately, the success standard for the new jobs program has been set at 50%, a more realistic rate for inexperienced workers who may not have high school diplomas.

Some trainees will go to work for

employers who have already signed on to provide jobs. That is a good approach. It should be multiplied. Every effort should be made to recruit more employers because finding jobs won't be easy in this extremely competitive job market.

Residents of Nickerson Gardens, the largest housing project in the area, will get first crack at the slots in the new training program, scheduled to run from next month to June. Residents from other housing projects will also get an opportunity, but only on a space-available basis. If the new program proves successful, it could become a model for the nation—and be opened to other welfare recipients.

The new training program will try to do in two to four months what typical state workfare programs take 18 months or longer to do. Both kinds of programs belong in the mix of routes from welfare to work. Decent jobs are the best antidote to welfare and poverty.

U.S. Department of Housing and Urban Development
Office of Public Affairs

COPY

LAO--92-100

Los Angeles, California 90016-3801

News Release

FOR ADDITIONAL INFORMATION CONTACT:

Scott Reed -- 213-251-7122 or
213-388-5405

FOR IMMEDIATE RELEASE

August 5, 1992 -- 9:00 a.m.

\$3.4 MILLION JOB TRAINING PROGRAM FOR SOUTH CENTRAL LOS ANGELES PUBLIC HOUSING RESIDENTS

M E D I A A D V I S O R Y

WHAT: Press Conference with key officials to announce that \$3.4 million in state, federal, and local sources will provide job training to residents of Nickerson Gardens, the largest public housing development in South Central Los Angeles. Seventy-five percent of the residents of Nickerson Gardens are currently enrolled in the AFDC system.

The program will provide training to residents for full-time jobs in areas of public safety, health care, and computer/office automation for the medical, pharmaceutical and banking fields. In an effort to ensure the success of the program, participants will also be provided child care and related supportive services.

WHEN: 10:00 a.m. -- Thursday -- August 6, 1992.

WHERE: Nickerson Gardens Community Center -- Compton Avenue and 113th Street -- Los Angeles, CA.

WHO: Presenters will be the following:

1. Nora King, President, Nickerson Gardens Resident Management Corporation.
2. Ted Dutton, Chairman, and Gerald Geismar, Executive Director of the California Employment Training Panel.
3. Charles Ming, Manager, U.S. Dept. of HUD's Los Angeles Office.
4. Thomas Sayles, Commissioner of Corporations and Chairman, Governor's Los Angeles Revitalization Cabinet Coordinating Committee.
5. David Beightol, Executive Director, President's Task Force for Los Angeles Recovery.
6. Dr. Louise White, official from the U.S. Dept. of HHS and member of President's Task Force for Los Angeles Recovery.
7. Kori Miller, official from The Training Institute.
8. Raul Ramirez, Administrator, GAIN Division, County of Los Angeles Dept. of Public Social Services.

#

3

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE
Thursday, August 6, 1992

Contact: Larry Dye
(202) 401-9215

HHS Secretary Louis W. Sullivan, M.D., and HUD Secretary Jack Kemp today announced support for a unique, coordinated approach by California to provide employment and training services to residents of Nickerson Gardens in Los Angeles, the largest public housing development in California. Most of those who will participate in the program are currently receiving welfare.

HHS will contribute \$1.3 million for the project this year.

"State and local governments continue to respond to the President's call to reform their welfare programs with a variety of new approaches," Sullivan said. "Our department remains committed to encouraging new ideas at all levels of government and in our communities."

"We join with President Bush in applauding this joint agency effort to empower inner-city residents through education and job training, and move them from welfare to economic independence," Kemp said.

Under the program, the Nickerson Gardens Resident Management Corporation and The Training Institute, Inc., a proprietary post-secondary school, will operate a pilot employment and training program. The program will offer testing, assessment and other services to 500 Nickerson Gardens and other public housing residents

- More -

(7)

in Los Angeles. In a distinctive feature, initial screening and intake of individuals will take place at the public housing development itself rather than at the local welfare department.

"With this program, California extends its efforts to change the welfare system," said Jo Anne Barnhart, assistant secretary for children and families. "The program also supports the Rebuild Los Angeles effort. I look forward to the results of this effort."

Residents of Nickerson Gardens and other public housing developments will be hired and trained to do the initial intake activities for the program. Funding for the program is more than \$3.4 million. Funding is a combination of the federal Job Opportunities and Basic Skills Training (JOBS) program and the Aid to Families with Dependent Children child care (\$1.3M), State of California Employment, Training Panel (\$1.3M) and Los Angeles County GAIN (\$800,000) resources.

###

(8)

Welfare
File

Document Originally
Attached to
Following Page